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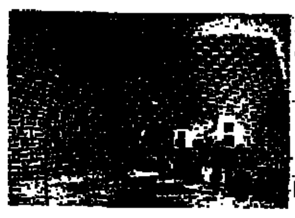

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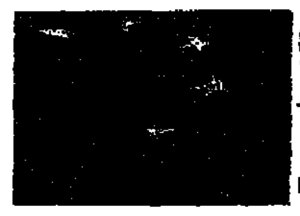

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World Business Newspaper TUESDAY FEBRUARY 21 1995 D8523A

Russian oil group to use share issue for funding fields

Russia's second biggest oil producing company, Surgutneftegaz, is to press ahead with the development of two new fields financed by a share issue aimed at domestic investors.

Last year Surgutneftegaz's oil output fell 10 per cent to 34.2m tonnes as the company suffered from the country's economic upheavals, but this was still 11 per cent of Russia's oil production. Page 17

Mexico lifts short-term rates: The Bank of Mexico sharply increased short-term interest rates in an attempt to kill inflationary expections and shore up the value of the peso. Page 16

Rossi steps down as Montedison chief

Guido Rossi (left) stepped down as chairman of Montedison and Ferruzzi Finanziaria after 20 months in which he has helped drag the linked Italian holding companies back from the edge of collapse. "The emergency is over and the restructuring plan is being carried out with precision", Mr Rossi said, adding that he had fulfilled his mandate to rescue the companies from the effects of corruption and alleged mismanagement. Page 17; *Lex*, Page 16

Go-ahead today on Ulster plan: The British and Irish governments will give final approval today to the framework document for Northern Ireland, as unionists said they had new evidence of clauses that challenge their role in the province's affairs. Page 16

MGM sees £26m profits: The European MGM cinema network controlled by Crédit Lyonnais, is expected to generate profits of about £26m ($41m) in the 1994 financial year. Page 18

£100,000 bonus criticised: Gordon Brown, finance spokesman for the UK opposition Labour party, criticised National Westminster Bank for not seeking shareholders' approval for the performance-related bonus of about £100,000 ($158,000) chairman Lord Alexander is likely to receive. Page 9

Echo Bay Mines, one of North America's biggest gold and silver producers, expects its gold output this year to slip by about 5 per cent, from 817,946 troy ounces in 1994. Page 21; Commodities, Page 23

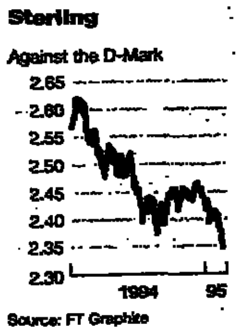
Marubeni, Japanese trading company, has signed a wide-ranging agreement with the Burmese government to help develop the country's infrastructure and market economy. Page 4

Iraq trade delegation probed: Britain's Department of Trade and Industry is investigating a possible breach of sanctions by the organisers of a UK trade delegation to Iraq. Page 9

Unity pledge by de Klerk: South African deputy president F.W. de Klerk said that the National party of which he is the leader was fully committed to remaining part of the government of national unity. Page 4

Belgium PM calls early poll: Jean-Luc Dehaene, the Belgian prime minister, announced an early general election – on May 21 – as controversy grow over the Flemish Socialist party – part of his government coalition. Page 3

D-Mark rises against most currencies



Source: FT Graphite

The trends of last week were maintained on the foreign exchanges with the D-Mark continuing to gain ground against most currencies. In Europe the most conspicuous victim was the French franc, which fell to its lowest point since October 1993. It touched FFr3.4814, against the D-Mark, before finishing at FFr3.48, from FFr3.479. Sterling's weakness continued, with the pound opening a pfennig weaker in London at DM2.3357, from Friday's close of DM2.3466. Thereafter it traded steadily. Currencies, Page 25

Coats Viyella, UK's largest textile group, is boosting its precision engineering business with the £65m ($101m) acquisition of Bace Manufacturing, a US-based private company. Page 22

Seoul bank decision attacked: A decision by the South Korean government to give the central bank more freedom to set monetary policy was described by critics as a cosmetic reform. Page 6

Paris tries for pact on live animals: France, which holds the rotating presidency of the EU, was last night battling to secure agreement on time limits for the transport of live animals. Page 2

Fiat, Italian carmaker, has tied up with Premier Automobiles, its long-time Indian associate, to manufacture its Uno model at Premier's Kurla plant near Bombay. Page 20

■ STOCK MARKET INDICES

FT-SE 100:	3,018.6	(–25.6)
Yield	4.34	
FT-SE Eurotrack 100	1,374.82	(–7.14)
FT-SE-A All-Share	1,494.58	(–0.7%)
Nikkei	17,956.48	(–64.03)

■ LONDON MONEY

3-mo Interbank	6⅞%	(6¾%)
Liffe long gilt future:	Mar101⅛	(Mar101⅝)

■ NORTH SEA OIL (Argus)

Brent 15-day (Apr)	$17.095	(17.11)

■ GOLD

London	$379.4	(378.4)

■ STERLING

London:		
$	1.5838	(1.5761)
DM	2.3327	(2.3463)
FFr	8.1201	(8.1818)
SFr	1.9729	(1.984)
Y	153.505	(153.665)
£ Index	86.9	(87.1)

Tokyo close Y 96.82

The New York markets were closed yesterday

Austria	Sch35	Greece	Dr400	Malta	Lm0.60	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$18	Morocco	MDh15	S.Arabia	SR11
Belgium	BFr70	Hungary	Ft195	Neth	Fl 4.25	Singapore	S$4.30
Bulgaria	Lv100.00	Iceland	IKr220	Nigeria	Naira90	Slovak Rp	KSL60
Cyprus	C£1.10	India	Rs75	Norway	NKr18.00	S. Africa	R12.00
Czech Rp	CZK55	Israel	Shk7.90	Oman	OR1.50	Spain	Pta225
Denmark	DKr17	Italy	L3000	Pakistan	Rs40	Sweden	SKr17
Egypt	E£5.00	Japan	Y600	Philippines	Pso50	Switz	SFr3.60
Estonia	EKr 20	Jordan	JD1.50	Poland	Zl 42,000	Syria	S£50.00
Finland	FM15	Kuwait	Fils.625	Portugal (mland)	Es230	Tunisia	Din1.500
France	FFr10.50	Lebanon	US$1.50			Turkey	L40,000
Germany	DM3.60	Lux	LFr70			UAE	Dh12.00

Europe warned against early Emu

Finance ministers divided over date for monetary union

By Lionel Barber in Brussels

Britain and Ireland yesterday joined forces with Germany to warn their European Union partners against moving too early to lock exchange rates in a future European Monetary Union.

At a meeting of EU finance ministers in Brussels, a group opposed to the early introduction of Emu began to take shape.

The Maastricht treaty allows for Emu in January 1997, and France and the European Commission believe early Emu would encourage budgetary discipline.

However, the differences evident at the Brussels meeting point to a bruising debate over the conditions for Emu and a single currency as the 15 member states move closer to 1996. Next year, the European Commission must recommend which countries qualify for entry to the third stage of Emu, when exchange rates will be locked irrevocably.

Mr Kenneth Clarke, UK chancellor of the exchequer, seized on the divisions by predicting that "not a single member state" would be ready to enter the third stage of Emu before 1999.

However, Mr Clarke pledged that the UK would play a "constructive role" in technical preparations for Emu.

His comments drew an angry reaction from Eurosceptic MPs in his own party. Mr Bill Cash, MP for Stafford, said Mr Clarke had broken ranks with Mr John Major, the prime minister, who last week told cabinet ministers not to engage in "speculative debate" about the prospects for a single currency.

Other long-standing critics of the EU said that the chancellor's remarks appeared to be intended as a provocation to the Conservative party's Eurosceptic wing. One said he seemed to be trying to split the party.

Mr Jean-Claude Juncker, the Luxembourg prime minister who retains his country's finance portfolio, praised Mr Clarke. "The chancellor is on a pro-European track and we must do what we can to encourage him."

Mr Jacques Santer, the new president of the European Commission, opened the televised meeting in Brussels yesterday with a promise to work with the European Monetary Institute to remove all technical obstacles to Emu by the end of 1996. A consultative paper is expected in time for the EU summit in Cannes in June.

The Commission's focus on technical obstacles triggered a warning from Mr Jürgen Stark, state secretary in the German finance ministry. "We don't want to create the impression that there is going to be an automatic, clockwork move to stage three of Emu," he said.

Mr Stark said it was vital to respect the convergence criteria for Emu, which set down tough targets for exchange rate stability and reductions in annual budget deficits and public debt.

Mr Santer's statement was intended to keep alive hopes of a switch to Emu in 1997, though this depends on a majority of the 15 member states meeting the convergence criteria which the Commission president insisted should not be diluted.

Mr Edmond Alphandery, the French economics minister, said he remained optimistic about an early move to Emu. He also repeated suggestions from Mr Edouard Balladur, the prime minister, that it was unclear whether seven or eight countries were required to make up a majority, assuming Denmark and the UK exercised their treaty opt-outs.

Live animals pact, Page 2

Balladur tries to defuse bugging scandal

By John Ridding in Paris

Mr Edouard Balladur, the French prime minister, yesterday struggled to defuse a telephone-tapping controversy which has forced him on to the defensive in the contest for the French presidency.

The affair forced Mr Balladur to suspend authorisations for emergency surveillance procedures, while the police chief at the centre of the row tendered his resignation last night to Mr Charles Pasqua, the interior minister.

Yesterday's events represent a potentially serious setback for Mr Balladur, who has seen his commanding lead in the polls shrink over recent weeks. They followed the prime minister's admission at the weekend that his office had authorised police to record telephone conversations of a Paris doctor who has been linked to an embezzlement case.

The case is related to a fraud investigation into the finances of Mr Balladur's Gaullist RPR party. Mr Jean-Louis Debré, the general secretary of the RPR and an ally of Mr Jacques Chirac, Mr Balladur's Gaullist rival for the presidency, condemned what he described as "an attack on individual freedom".

Mr Balladur rejected charges of illicit practices. "Everything was perfectly regular. I challenge anyone to prove the opposite," he said, adding that his office had approved the wire-tap under emergency regulations because the case was urgent.

Mr Paul Bouchet, the head of an official watchdog committee which monitors phone-tapping, has been instructed to improve procedures in the authorisation of taps. Mr Bouchet had earlier told the daily newspaper Le Monde that the bugging of Mr Maréchal was illegal, as phone-tapping was only allowed in extortion cases when they involved organised crime gangs.

Critics said the announcement reflected a tacit admission of malpractice and a damaging reversal for the prime minister. Government sources, however, sought to deflect responsibility, claiming the prime minister's office had been misled by police. They said police had indicated an organised group was involved, clearing the way for phone-tapping.

The complex case centres on allegations by Mr Didier Schuller, a Paris Gaullist politician, that he faced demands for money from Mr Jean-Pierre Maréchal, a Paris doctor and the father-in-law of a prominent investigating magistrate.

In return, Mr Maréchal was to persuade his son-in-law to drop an investigation into Mr Schuller concerning allegations of financial impropriety in the award of Paris public housing contracts.

Aides to the prime minister sought to play down the impact of the "Maréchal-Schuller" affair, describing the criticism of the prime minister as a "desperate attack by rivals".

French prime minister Edouard Balladur on a visit yesterday to a tunnel for the new Paris underground railway line Reuter

Hardliners attempt to block privatisation

New decree threatens Russian farm reform

By Chrystia Freeland in Moscow

The Russian government has passed a decree which threatens to block privatisation of agriculture, in yet another show of force by government hardliners opposed to rapid economic reform.

Agriculture, currently the least reformed sector of the Russian economy, is critical because the demands for continued government subsidies from the powerful agrarian lobby are one of the biggest obstacles to the government's effort to implement its stabilisation programme.

Most former collective farms have been transformed into joint stock companies in which each former member of the collective has a nominal right to a certain amount of land.

The decree, signed by Mr Viktor Chernomyrdin, the prime minister, on February 1, forces would-be private farmers seeking to use that right to establish a private farm on the land to obtain unanimous consent from all other former members of the collective.

Given that former collective farms generally have hundreds of members, some of them diehard opponents of privatisation who form the constituency of the neo-communist Agrarian faction in parliament, unanimous consent could be difficult to obtain.

Some 280,000 farming households have already claimed their land share, withdrawn it from the collective and established private family farms. These now account for about 5 per cent of the agricultural sector.

"This decree undercuts the basic provision that has permitted Russian agrarian reform over the past 4½ years," said Professor Roy Prosterman, an American law professor who has conducted extensive studies of Russian agrarian reform.

It "creates an impossible requirement of unanimity," Mr Prosterman said. "For any one farmer to take his land share and start a private family farm he now requires the unanimous agreement of a group that usually consists of hundreds of people."

The decree could play into the hands of the conservative agrarian lobby, which is dominated by former communist collective farm chairmen who are opposed to market reforms and demand continued government subsidies, he said.

It was unclear whether Mr Chernomyrdin had signed the 11-page decree through an incomplete understanding of the significance of each of its 60 provisions or under pressure from the agrarian lobby.

Mr Alexander Nazarchuk, minister of agriculture, yesterday stepped up pressure on the Kremlin to continue supporting Russian farms.

Mr Nazarchuk said that without fresh state subsidies and protectionist trade policies the largely unreformed agricultural sector would suffer "a complete and final collapse" this year.

Last year, Moscow caved in to similar pressure from the agrarian lobby, issuing cheap credits which western economists say were one of the main sources of the renewed burst of inflation over the past few months.

Western economists believe that one of the toughest challenges to the Russian government's third attempt at stabilisation, which is already haltingly under way, will be to resist pressure in coming months to bail out the agricultural sector once again.

Although this month's decree on agrarian reform threatens to stop the emergence of private family farms – whose creation in countries such as China and Hungary has been a powerful force for broader market transformations – it has gone largely unnoticed.

"This decree slipped through very quietly," said Mr Prosterman. "Many people have not yet had a chance to read it and the reformers have been caught flat-footed."

HK Chinese stocks hit after executive arrested in Beijing

By Simon Holberton in Hong Kong and Tony Walker in Beijing

Chinese stocks listed in Hong Kong dropped sharply yesterday as investors reassessed the value of mainland political relationships following the arrest of a Chinese executive courted in Hong Kong for his contacts with the communist elite.

Trading in listed companies closely linked to the Shougang group, the giant Chinese steelmaker, was suspended in Hong Kong yesterday after the announcement on Sunday of the arrest of Mr Zhou Beifang, the head of Shougang's Hong Kong operations.

Five Shougang subsidiaries issued a statement distancing themselves from Mr Zhou, who was detained in Beijing for alleged corruption.

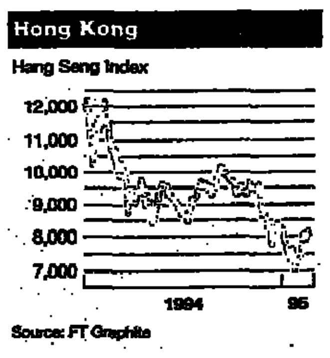
The arrest follows a concerted anti-corruption drive which China launched in August 1993. The handling of the case will be watched as a precedent for others involving other well-connected Chinese officials in Hong Kong. Some larger corruption cases have led to the use of the death penalty in China, though the details of Mr Zhou's alleged crimes are not yet clear.

Mr Zhou's arrest has also stirred speculation about the influence of the ailing Mr Deng Xiaoping, the paramount Chinese leader, with whom the Zhou family has close ties.

Some observers have suggested that Mr Zhou's fall could mark the beginning of the end for the Deng family's extensive business network. As one senior stock market regulator observed: "Shougang underlines the perils of doing business where the main reason for doing so is based on connections. Connections do not last forever."

Most of the listed China-linked companies in Hong Kong have family links to the communist elite. Hong Kong business people have cultivated these families in the hope of improving their business on the mainland and securing their fortunes after the territory's return to Chinese control in 1997.

On the territory's stock exchange, the revelations about Shougang prompted investors to



Source: FT Graphite

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Chill through ranks of the 'red princelings', Page 6

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Spain in 'longest dry cycle this century'

By David White in Madrid

Management at the Marbella Club is firm about the water situation: "There is no problem, and there will be no problem." With rooms now available for about $175 and the royal suite booked through the high season at $740 a night, this is probably just as well.

Like a number of other hotels and buildings in town, it has been storing water in private tanks. For less fortunate residents, mains supplies dry up some time in the afternoon and do not come back until 6am the next day.

In parts of the Cadiz region, homes have been subject to regular water cuts for three years – the length of the drought affecting the whole southern half of Spain. Some areas are now in their fifth year of shortage. A winter that in other European countries has brought catastrophic floods has given no respite to what Spanish water officials say is already "the longest dry cycle this century".

Shoppers are having to buy Dutch, Belgian and French potatoes at up to three times the customary price because the Spanish crop has fallen short. Other agricultural products have also been hit, including olive oil, rice and cotton. The Agrarian Young Farmers' Association (Asaja) reckons drought losses so far at Pta300bn (£1.5bn). The ecologist organisation Greenpeace puts the total cost to the Spanish economy at twice that figure for 1994 alone.

Last month the World Alpine Skiing Championships in Sierra Nevada had to be put off until next year for lack of snow. Reservoirs in southern Spain are on average down to about 12 per cent of capacity.

The government recently announced a Pta12bn package of emergency measures including interim installations to enable water to be shipped from the south-western port of Huelva 110km along the coast to Cadiz. Almost Pta50bn has been spent on remedial action since the drought began.

This is little compared with the ambitious schemes outlined in the government's draft National Hydrological Plan. According to the original 1993 version, these would take up Pta3,600bn over 20 years on projects ranging from new reservoirs to urban waste water treatment and to flood defences.

But the proposed legislation, several times retouched, is stuck in a procedural impasse. Management of water resources is the responsibility of individual hydrographic confederations – river basin authorities set up in the 1920s – and the Senate wants their plans to receive approval first.

The national plan has also stirred up opposition from ecologist groups, which argue that instead of concentrating on increasing supply the government should tackle water usage, including wasteful farming practices and high consumption by the tourism sector. Golf courses, for instance, can require as much water as a small town.

Most contentious in the plan is a Pta750bn system for channelling water from river basins where it is plentiful to "thirsty" Mediterranean regions. The conservative opposition Popular Party has accused Mr José Borrell, the public works, transport and environment minister, of provoking an inter-regional war by raising expectations before proper studies for the water-transfer network have been carried out.

Spain does have water - a lot even in comparison with other European countries - but not all in the same place, and especially not in the places it needs it most for irrigation. Apart from the wet northernmost strip, droughts come around in cycles every seven to 10 years. This one is acute, not so much because there is less water than in other such periods but because demand has greatly increased, particularly from the growth of irrigated crops.

About 80 per cent of Spain's water supply goes on agriculture. One of the chief problems now facing planners at Mr Borrell's ministry is the lack of reliable estimates of future farming needs. Regulating demand by raising Spain's relatively low water prices could threaten the competitiveness of vulnerable farm activities.

At the same time, the regions where irrigated farming is most profitable are precisely those of the dry south and east. Says Mr Francisco Gil, a senior government water official: "We have to get water down there somehow."

IG Metall allies back strike call

By Christopher Parkes in Frankfurt

The leader of Germany's main public-sector union yesterday offered "full support and solidarity" to engineering industry workers preparing for the first strikes in the sector since 1984.

In a declaration underlining the extent to which less powerful unions' pay hopes are pinned to the outcome of the looming confrontation between IG Metall and the Gesamtmetall employers' association, Mr Herbert Mai, president of the ÖTV union, said that although conditions varied from sector to sector, it was important to demonstrate inter-union solidarity.

Mr Mai echoed the engineers' call for an inflation-plus pay award on the grounds that greater spending power would accelerate economic recovery and generate more jobs.

He said that ÖTV, which masterminded disruptive but ultimately unrewarding strikes in 1992, would meet to prepare its pay claim for 3.4m public service workers on March 16.

Mr Mai's backing was complementary to that of the DAG white collar union, another relatively weak group with members in a wide range of industries.

There has been less evidence of moral support from other quarters, most notably in the chemicals sector, where pay talks are continuing in relative peace.

The IG Chemie union, claiming 6 per cent and offered around 2.5 per cent – the expected inflation rate this year – is still talking.

IG Chemie is generally more peaceable than IG Metall, although it is constrained this year by the continued loss of jobs in the chemicals sector, while many engineering plants are working close to capacity and overtime is common.

Other outside voices also joined the public pay debate yesterday.

Mr Theo Waigel, finance minister, declared an engineering strike as "poison" for the economy, while Mr Rudolf Scharping, leader of the Social Democrat opposition, limited himself to urging the employers to make a pay offer.

IG Metall, which has resorted to industrial action in answer to the absence of an unconditional response to its 6 per cent demand, yesterday reported an enthusiastic rush of participants in the strike ballot in the Bavarian region, selected as the starting point of industrial action by the national leadership last Thursday.

Meanwhile, local employers said they would meet to discuss the situation on Thursday, when the result of the ballot should be known, and one day before the first strikers are expected to be called out.

Metal and electrical engineering – Germany's biggest industrial sector and most important export earner – employs some 700,000 in Bavaria, where more than 3,000 factories last year turned over about DM190bn (£80bn).

More than 40 per cent of the state's sales were made outside Germany. About 40 per cent of the 700,000 employed in the sectors are IG Metall members, although the voting process has been arranged so that only around 165,000 Bavarian members of IG Metall will be called on to vote.

If 75 per cent vote for action, the regional leadership is then expected to call out the workforces in targeted factories and companies such as component suppliers where production stoppages can be expected to have the widest repercussions elsewhere in industry.

Mr Thomas Mayer, senior economist at financial house Goldman Sachs in Frankfurt, said he believed the dispute was more serious than last year, but he still saw a chance for a last-minute deal.

A metalworker votes behind a 'Yes for Strike' poster Reuter

France battles for live animals pact

By Caroline Southey in Brussels

France, which holds the rotating presidency of the EU, was last night battling to secure agreement on time limits for the transport of live animals.

Mr Jean Peuch, the French agriculture minister, was holding talks with individual EU agricultural ministers in Brussels. After completing negotiations with five out of the 15 member states, he said had won agreement on four principles that would underpin a deal. Although journey time was the central issue, "other factors" also had be resolved.

Mr Peuch has invested a large amount of political capital in trying to end the 18-month deadlock, including visits to European capitals prior to the council meeting. "We will continue working until we find a solution," he said.

A north/south split among ministers in the council has so far blocked a deal. Britain and Germany, under pressure from welfare activists to introduce a limit on journey times for live animals, have been pressing for a Europe-wide time limit on journeys. But southern European states, including Spain, Portugal, Greece and Italy, which are major importers of live animals, have opposed any time limit.

Commission officials said the meeting had taken on a "make or break" atmosphere because France, which had previously placed itself in the camp opposing time limits, was committed to brokering a compromise. The next two presidencies will be held by Spain and Italy.

Mr Peuch said there was consensus that any new rules would have to apply to all animals, irrespective of the economic reasons for their transport, and had to be tailored to different ages and species. Member states also agreed that consideration had to be given to the quality of transport.

There was also concern that the economic consequences of any decisions be taken into account. Noting that 20m animals were transported across borders in the EU every year, he said it was important to ensure new regulations did not erect barriers to trade and that competitiveness also had to be borne in mind.

Commission proposals on time limits for resting, feeding and watering animals; limits on stocking density in vehicles; route plans for hauliers; the training and licensing of hauliers; sanctions against hauliers not respecting animal welfare rules; and the withdrawal of export refunds if the regulations were flaunted remained on the table yesterday.

Animal welfare activists representing Belgium, France, the Netherlands, Britain, Italy and Germany demonstrated outside outside the council meeting.

BBC chief calls for common TV standard

By Emma Tucker in Brussels

Mr John Birt, the director general of the British Broadcasting Corporation, said yesterday that the EU needed to act now to stop big media companies such as BSkyB and Canal Plus controlling the technology that will allow other broadcasters access to the information superhighway.

Speaking in Brussels, Mr Birt said that unless action was taken, the few companies who have already invested in decoding technology could restrict competition and limit consumer choice once the introduction of digital television allows households to choose from a multitude of channels.

Failure to ensure that all operators have access via common standards could mean, in a worst case scenario, that one household would need 10 different boxes on top of its television to watch all the channels it wanted.

"We need a regulatory regime in Europe which will provide the maximum of consumer choice," said Mr Birt. "We must ensure that all programme and service providers have the right of access, subject to capacity, on the basis of fair and open pricing. Such a framework would allow the consumption of services with a single set-top box, designed to permit access to alternative service providers."

Brussels is currently considering proposals on conditional access which would require companies to share their technological know-how under a voluntary code. The big companies which have already developed decoding technology have given a commitment to abide by the code.

However, the European parliament is unhappy that the code does not ensure adequate redress for those denied access, and will table an amendment to the Commission plans which will ensure a new "multi-access" standard.

"We are going to take a very tough line on this to make sure that there is proper access to the systems," said Mr Alan Donnelly, Labour MEP, yesterday.

He added: "This is so fundamental to the whole development of the industry that we don't want anybody to be a gatekeeper. We want a system which will allow any person access."

Mr Birt also stressed the need for Europe to give strong support to public service broadcasting which was the "key to sustaining national cultures in the forthcoming digital revolution".

He dismissed the use of quotas as an effective way of protecting national cultures, saying: "I do not myself think it right to deny anyone the opportunity to see a programme of their choosing from another country."

He warned Europe's public service broadcasters that they needed to have a clear vision of their true purpose. He suggested they were becoming dependent on advertising and duplicating output by commercial broadcasters.

Devaluation of 'green' currency

Several European currencies face a second wave of devaluations within a week of their "green" notional rates used to fix farm subsidies in the European Union, agricultural officials said yesterday, Reuter reports from London.

The European Commission will mark down the green value of the pound today along with five other currencies – the lira, the peseta, the Irish pound, the Greek drachma and the Swedish crown.

The green pound, lira and drachma had already had one devaluation on Friday in a wave of adjustments that reflect these currencies' relative weakness on turbulent foreign exchanges.

The move will boost the revenues of farmers from EU support payments in several countries.

But although sterling's second green devaluation since Friday will, in particular, make British farm exports cheaper, weak demand in Europe and elsewhere may offset the benefit.

"UK prices are the cheapest in Europe but there is no demand out there," said one London-based grain trader.

The green rate devaluations of currencies of grain-importing countries such as Italy and Spain are expected to slow down intra-European trade as imports will cost more.

The green pound will be devalued to 0.805937 per Ecu from 0.799794 under EU calculations of new rates for green currencies completed yesterday, officials at the British Home-Grown Cereals Authority (HGCA) said.

The European Commission will set compensation payments based on the green rates on July 1 for arable land that the EU requires to be set aside to help reduce surpluses.

Payments will be made between October and December.

A devaluation of the green version of an EU currency occurs when, over a 10-day reference period, the difference between its market and green rates – average real agri-monetary gap (RMG) – remains weak.

Inflation pressures grow in Italy

A falling lira and plans for higher taxes have raised concern, writes **Robert Graham**

The spectre of inflation is beginning to rear its ugly head in Italy.

Inflationary pressures have been evident, though relatively well controlled, since last August. But the latest sharp falls in the lira, combined with the avowed intention of the government of prime minister Lamberto Dini to raise taxes in a mini-budget, substantially increase the risk of these pressures.

The alarm has yet to be raised. This is not because the authorities are ignoring the issue – at the treasury and the Bank of Italy it is a matter of lively debate, and the unions are extremely sensitive to any further erosion of wages. But rather as one economist put it: "No one wants to raise the topic too openly for fear of creating damaging inflationary expectations and so making a return to inflation a self-fulfilling prophecy."

Consumer prices have been on a downward trend since 1992 and, measured against the post-war current levels, are at historic lows. Based on January's figures, Italy's annualised inflation is running at 3.8 per cent. Nevertheless, this remains well above the norm of the European Union and distant from the year-end objective of 2.5 per cent set by the previous government of Mr Silvio Berlusconi.

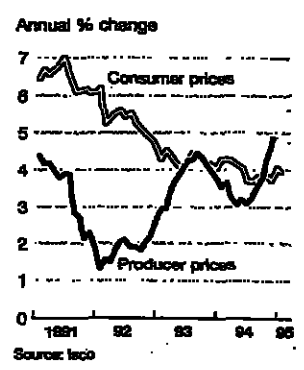
According to officials at the Finance Ministry, increases in VAT and other taxes likely to be proposed in the budget this week will add close to one percentage point to annualised inflation. The effect will be immediate – once the measures are approved by parliament. Yesterday Mr Sergio D'Antoni, leader of the Cisl, one of the three main trade union confederations, commented in a newspaper interview: "With these sort of measures we risk returning to the vicious circle of the past."

The unions have the most directly at stake. Since 1992, and formalised in an historic agreement in July 1993 with the government and employers, wages have ceased to be indexed to inflation and are linked instead to productivity. Wage deals have also been based on projected inflation rather than the real figures. This has meant that wages have been rising at around 3 per cent, well below inflation: a fact so far accepted by the unions who have placed job security above wages.

Productivity, meanwhile, has been increasing and this has brought down unit labour costs. In the third quarter of 1994, the last for which figures are available, unit labour costs declined a remarkable 4.7 per cent.

Italian inflation

Annual % change



Source: Isco

But as labour costs have fallen, manufacturers have begun to pass on the higher cost of raw materials and raise their margins to recoup profits eroded by the recession. The Bank of Italy spotted this tendency and the half percentage point rise in the discount rate to 7.5 per cent last August was partly to anticipate inflationary tendencies. The central bank has also insisted on maintaining tight control of money supply.

In spite of these moves, producer prices are now increasing at close to 5 per cent, fuelled by the domestic recovery. Manufacturers have rebuilt their stocks and the economy, with exports still booming, is likely to grow this year at more than 3 per cent.

Isco, the state forecasting institute, observed in its February bulletin that "the process whereby inflation has come down seems to have exhausted itself". The bulletin added: "One element has been the increase in production costs of goods with an import content, but widening company profit margins are playing an increasingly important part."

Confindustria, the employers' federation, remains more optimistic about containing inflationary costs, both domestic and imported. Economists there point out that only 20 per cent of imports are accounted for by raw materials. Imported manufactured goods, they say, have remained competitively priced, despite the lira's devaluation, to retain market shares.

But with a strong domestic recovery and a lira that has fallen 40 per cent against the D-Mark since the currency crisis of September 1992, it is questionable how long imported inflation can be avoided.

The one month-old government's response is to try and create a virtuous effect through a tough correction to the 1995 budget. By raising L20,000bn to hold the deficit to the targeted 8 per cent of GDP, ministers hope to impress the financial markets. Serious moves to tackle Italy's structural budget deficit will be rewarded with a strengthening of the under-valued lira, the argument goes. This in turn will offset the threat of imported inflation and could even allow a drop in domestic interest rates, still four percentage points above those of Germany.

The problems with this scenario are market perceptions of "Italian risk". The markets are looking not just for a tough mini-budget but also clear guidelines for the 1996 budget linked to reform of the costly state pensions system.

Yet the all-technocrat government's parliamentary support is precarious and general elections could be held as early as June without this task being fully completed.

Even if this is done, uncertainties so cloud the nature of the next government that the lira will inevitably carry a risk premium.

EUROPEAN NEWS DIGEST

Milosevic blow to peace hopes

Envoys of the five-nation Contact Group left Belgrade yesterday after failing to persuade Serbia's President Slobodan Milosevic to agree to the latest proposal to secure a "big bang" comprehensive deal to halt the Bosnian war.

"Mr Milosevic's decision did not come as a surprise", a Foreign Office official said. Despite 48 hours' private talks with Mr Andrei Kozyrev, Russia's foreign minister, the Serbian president rebuffed the newest international peace offer to suspend sanctions on Belgrade in exchange for diplomatic recognition of Croatia and Bosnia.

Mr Kozyrev made clear his support for Belgrade's request for the lifting of sanctions to precede recognition. Russia's position is likely to widen splits in the Contact Group.

The rejection comes as the mediators are racing towards two key deadlines. First, Bosnia's warring parties have not agreed to resume peace talks six weeks into a four-month ceasefire. Both sides admit they are preparing for more war when the truce expires. Second, international mediators are trying to bring about a compromise which would make Croatia reverse its decision to ask United Nations peacekeepers stationed in Serb-held parts of Croatia to withdraw from the end of next month.

Nato yesterday conducted an exercise as part of "contingency preparations" in the event the UN pulls its 35,000 troops out of Croatia and Bosnia. *Laura Silber, Belgrade*

Danes avoid labour conflict

A three-year wage settlement directly covering about 200,000 workers in manufacturing and setting the pace for the same number again was concluded between Danish employers and trade unions yesterday. The deal ensures that this winter's collective wage bargaining round will be concluded without any major labour conflicts.

The deal provides for an increase in minimum hourly wage rates by DKr2.23 (24 pence) in each of the three years, starting from March 1, a total of DKr6.70 altogether. The increase in 1995 will add about 3 per cent to minimum rates. The employers gained some increased flexibility in the use of the labour force through an agreement that the working week will average 37 hours over a period of six months as opposed to six weeks at present.

The employers have agreed to pay full wage rates for 14 weeks for maternity leave, but up to a maximum payment of DKr95 per hour. The central government, the transport and building industries have already concluded wage agreements, but nurses are threatening to strike from April 1 after rejecting an offer from local government employers. *Hilary Barnes, Copenhagen*

Boost for Turkey's markets

Turkish financial markets rose strongly yesterday following the merger of two centre-left parties at the weekend. The Istanbul stock market index rose 2.9 per cent and turnover rose to the equivalent of $187m, 55 per cent more than on Friday.

Market traders said the merger of the People's Socialist party (SHP), junior partner in conservative prime minister Tansu Çiller's coalition government, with the opposition People's Republican party (CHP) on Saturday, broadens the government's support in parliament. General elections, which observers feared would pitch the economy deeper into recession, now look less likely.

Foreign institutional investors were among the largest players yesterday. One Istanbul-based US analyst said: "People think the government may use the increased majority to do something positive about reform, such as privatisation and increased economic liberalisation."

Furthermore, markets are heartened by the Treasury's successful extension of maturities on government paper. The government has about $12bn in local currency bonds outstanding and had been reduced to refinancing debt every 90 days. Maturities have increased to six months, albeit at the cost of very high interest rates, over 30 per cent a year in real terms. *John Barham, Istanbul*

Polish reformer's comeback

Mr Leszek Balcerowicz, Poland's foremost economic reformer and a former finance minister, has said he intends to re-enter politics as the leader of the Freedom Union (UW), the country's main opposition party. Mr Balcerowicz, at present doing research at the European Bank for Reconstruction and Development in London, implemented Poland's shock free-market therapy programme between 1990 and 1991, but later returned to academia. When in government he acquired a reputation as a forceful supporter of privatisation and strict monetary discipline.

The UW, which has its roots in the Solidarity movement, is the largest opposition party in parliament but its share of the vote has stagnated at about 10 per cent. Mr Balcerowicz, a member of the Communist party until 1981, only recently joined the UW. He has stressed he will take over at the party's congress in April only if Mr Tadeusz Mazowiecki, the current leader, will agree. The congress is also expected to pick Mr Jacek Kuron, a veteran dissident and former labour minister, as its presidential candidate. *Christopher Bobinski, Warsaw*

Latvian bank to bolster capital

The Latvian commercial bank Lain Banka is trying to bolster its capital through a share issue after the arrest of two of its managers prompted a run on the bank's deposits. A Lain Banka official said the bank had already raised Lats 1.2m (£1.4m) from share sales to clients and shareholders, boosting the bank's capital to Lats 3.8m. But despite this, the bank may still have difficulty paying the pensions of Russian servicemen, provoking discontent among the Baltic state's minority Russian population. The Bank of Latvia, which supervises the banking sector, has promised to help overcome any short-term payments difficulties.

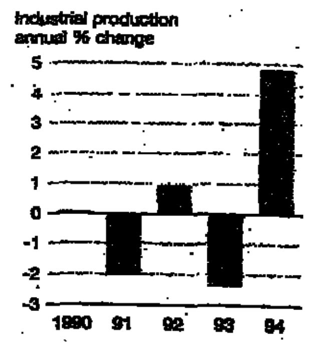
Two weeks ago, armed Latvian police stormed the offices of the bank and arrested two of its managers on charges of false accounting. The raid unsettled the commercial banking sector and led to a cash squeeze at Lain Banka. Many Russian businesses use Latvia as an off-shore financial centre, although the dubious origin of some of this money has prompted a clampdown by the local authorities. *John Thornhill, Moscow*

ECONOMIC WATCH

Italian industrial output rises

Italy

Industrial production annual % change



Source: Datastream

Italian industrial production rose 4.9 per cent last year over 1993, the national statistical office said yesterday. Production rose 6.1 per cent year-on-year in December, but the actual increase was 14.7 per cent taking into account two working days less than usual. December's rise over November was 5.5 per cent, when it rose 7.0 per cent year-on-year. Over the year from December 1993 to 1994, August saw the strongest monthly rise, up 16.2 per cent over August 1993, while February saw a rise of just 0.4 per cent over the same month the previous year. Sectors enjoying large gains were cars (up 19.6 per cent), metals (10.2) and office and data processing equipment (17.3).

Textiles and clothing registered an advance of 5.6 per cent, while electricity and gas rose 3.9 per cent. But telecommunications (-3.8 per cent) and petroleum industries (-2.7) were down on the year. *AFP, Rome*

هكذا من الأصل

Belgian poll as bribery row grows

By Emma Tucker in Brussels

Mr Jean-Luc Dehaene, the Belgian prime minister, yesterday announced an early general election, as controversy surrounding the Flemish Socialist party – part of his government coalition – thickened.

Mr Dehaene said a financial scandal implicating senior members of the SP had influenced his decision to bring the date of the election forward to May 21. The latest twist in the longstanding corruption affair happened last week when two former senior SP members were arrested in connection with the so-called Agusta scandal.

The case revolves around allegations of bribery and corruption in relation to a contract awarded to Agusta, the Italian aircraft manufacturer, by the Belgian government in 1988.

Under particular investigation is the possibility that bribes were offered or paid to Socialist politicians to secure the sale of the 46 helicopters.

Police arrested Mr Luc Wallyn, the former deputy secretary of the SP and currently an employee of the European Commission's social affairs directorate, and Mr Etienne Mange, the head of the post office and influential in the SP's financial affairs.

They also detained Mr Georges Cywie, a businessman who lobbied for Agusta in Belgium, and Mr Alfons-Hendrik Puelinckx, a Brussels lawyer whose office was alleged to have been used for meetings to discuss Agusta.

The latest arrests have cast an unwelcome spotlight on two of Belgium's most senior international figures; Mr Willy Claes, the secretary general of Nato, and Mr Karel Van Miert, the European Commissioner responsible for competition policy.

Mr Claes was economic affairs minister at the time the helicopters were purchased and Mr Van Miert was leader of the SP.

Both men strongly deny any involvement, but say they are prepared to answer any questions from investigating authorities.

Mr Van Miert yesterday cut short a holiday in Latin America to return to Brussels and face the crisis, while Mr Claes said he would explain his position to Nato ambassadors today.

The judicial authorities have said they would like to interview both men following the arrests last week.

Belgian newspapers said yesterday the latest moves by the police could not have come at a worse time for Mr Dehaene, himself a member of the Flemish Christian Democrat party, who for three years has held together a fragile coalition of Socialists and Christian Democrats from both sides of the Belgian language communities.

The Francophone Socialist party, part of the coalition, has suffered from a string of financial scandals. Last year three of its top members including a deputy prime minister resigned over the helicopter affair, although all of them strongly deny any wrongdoing.

Although Mr Dehaene said the latest scandal had influenced his decision to bring forward the date of election, the main reason was to have a new mandate to tackle the 1996 budget talks due this summer.

Belgium has the highest debt in the EU in terms of GDP and one of the highest unemployment rates in Europe. In order to take part in the final stage of monetary union in either 1997 or 1999, the country must cut its debt to meet the criteria set out in the Maastricht treaty.

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French probes leave room at the top

Rise in number of politicians under investigation raises questions about government says Andrew Jack

One large office looks surprisingly empty in the spacious city hall of Grenoble – the mayor's. Its erstwhile occupant, Mr Alain Carignon, has become the most dramatic example of a growing number of leaders of French towns distracted from their work by criminal investigations.

Mr Carrignon's supporters gathered last week to celebrate what they were sure would be his release from jail – where he has been held awaiting trail since October – only to learn with shock that the court of appeal had ruled that he should remain in prison.

The rise in the number of court investigations against local politicians around the country over the last few months raises questions about the devolution of state power, the links between politics and business, the changing role of magistrates and, not least, the ability of towns to be governed in the absence of their elected heads.

Mr Jacques Médecin, the colourful former mayor of Nice, was one of the earliest and most extreme examples, when he fled to South America four years ago amid allegations of tax evasion and misappropriation of public funds totalling more than FFr600m ($115m). He was extradited from Uruguay last November and is in prison awaiting trial.

His critics argue that Mr Médecin was swept up in the early years of the devolution of power from Paris to municipalities – without corresponding accountability – that started when the Socialists came to power in 1981. He also assumed what some described as almost monarchical power passed on by his father who was mayor in Nice for many years.

From Mayor's office to prison: (left to right): Alain Carignon, mayor of Grenoble. Jacques Médecin, former mayor of Nice. Mr Michel Noir, mayor of Lyons, whose trial started last week.

Then there is Lyons mayor Mr Michel Noir, whose trial started last week. He is accused along with 11 others of being part of a network by which up to FFr33m was allegedly distributed and embezzled by Mr Pierre Botton, Mr Noir's son-in-law, during the 1980s.

Some see both Mr Noir and Grenoble's Mr Carignon as victims of the problem of party political funding and the role of contributions from companies in France, which Mr Edouard Balladur, the prime minister and front-runner in the presidential race, has recently been trying to clarify with new financing rules.

The investigations coincide with a period of rising power and confidence by magistrates across Europe – inspired by what has been happening in Italy – and which has now gathered a momentum of its own.

Meanwhile, Mr Médecin has been gone for so long that his successor, Mr Jean-Jacques Barêty is firmly installed in his place and plans to run for re-election.

In other towns, the deputies, long in the shadow of their patron, have stepped in to ensure that existing strategy is continued, but are biding their time rather than taking new initiatives before municipal elections across France in June.

For example, Mr Pierre Gascon, Mr Carignon's temporary replacement, prefers to remain in his own office of deputy mayor at the far end of the same city hall corridor as his boss.

He remains loyal to his leader and says decisions continue to be made.

He refuses to comment on his own possible candidacy but has said that Mr Carignon could still run for office from jail.

Mr Guy Barriolade, head of Mr Noir's office for the Lyon municipal authority, plays down the impact of the trial and the months leading up to it. "There is the psychological effect and any appearance of weakness is not good, but things carry on as normal," he says.

He stresses that Mr Noir – who has not been held in prison – has continued to carry out his functions. He says the accusations have not prevented the mayor working as normal and that if anything he has sacrified his duties as a national deputy to ensure his continued commitment to Lyon.

Others are less convinced. One senior executive in Lyons argues that – if only in the spirit of self-preservation, given the more aggressive stance of magistrates – civil servants and their political masters are moving more slowly in making investment decisions and signing public works contracts.

Political opponents of the mayors have certainly lost no time in exploiting the situation. For example, Mr Bruno Gollnisch, vice president of the extreme right-wing National Front, last week said matters in Lyons had become untenable – and simultaneously launched his own campaign to become mayor.

It is also difficult to disentangle the effects of the recent scandals from two broader factors encumbering municipal administration.

The first is the intense political build-up in advance of elections for president in April and May and the elections for mayors across the country in June.

The second is the effect of a series of legal changes which came into effect in the last two years on public contracting. Mr Jacques Guerber, senior executive vice president of Crédit Local de France, a bank specialising in finance to local authorities, argues that these factors have both formalised and slowed down the process of tendering.

What is certain is that the last few months have seen a considerable souring in the reputation of a number of leading French cities. As the legal actions gathered pace last week, the topic has again come to the fore. "Grenoble's positive reputation is finished," says one restaurant owner in the city.

"It honestly doesn't affect us," says Mr François-Régis Beriot, a local politician and president of the Grenoble-Isère regional development council. "But it's true it is extremely bad for our national and international relations."

Heated debate over Danes' green tax plan

Industry is unhappy about the proposals and political temperatures are rising, writes Hilary Barnes

It will be a month or so before the Danish winter yields and the countryside turns green once more, but the people, their politicians and, not least, the bureaucrats are already in the grip of a green frenzy.

"Ecological" foods are the winter's flavour. Consumers are emptying supermarket shelves of ecological milk and vegetables faster than the farmers can produce them, and the farmers are being criticised for having failed to foresee the fashion of the day.

The government is preparing "green" national accounts, which will provide indicators of the degree to which production and consumption contribute to global pollution.

Legislation will shortly reach the statute books compelling companies to produce "green" accounts, though the law will apply only to the 10,000 industrial companies which must have a certificate of approval for their potentially polluting operations from the state's Environmental Authority, and only about a third of these will actually have to produce green accounts because of dispensations. The accounts will show both inputs and outputs of products which pollute the environment, but companies will not be forced to reveal the secrets of their production to competitors.

The Environment Ministry, headed by Mr Svend Auken, a Social Democrat, will shortly send a circular to all central government offices and departments telling them to prepare "green" purchasing plans, in which environmental considerations will be applied to purchases of everything from computers and copiers to chairs, tables and cleaning equipment.

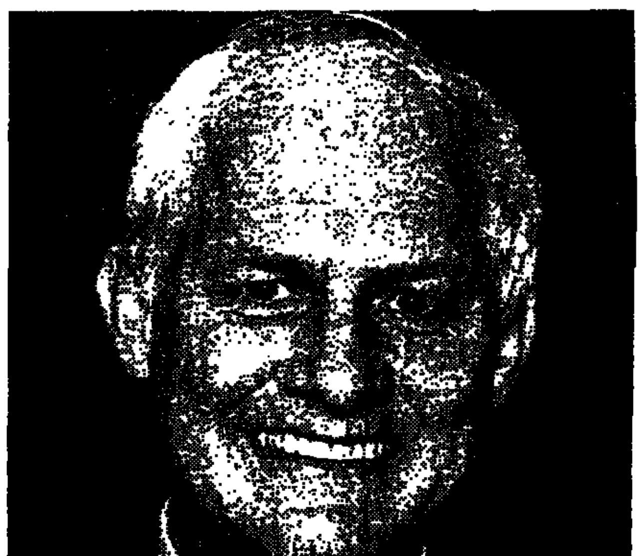
But suggestions that special environmental standards should be written into tender requirements for public sector contracts (such as the cement and steel contracts for construction of the planned 17km bridge across the Oresund between Copenhagen and the Swedish city of Malmö) have run up against an objection: the EU Commission would probably consider this to be an attempt to favour local suppliers, thus undermining the internal market.

All these developments, however, are overshadowed by the government's plans to impose stiff "green" taxes on both consumers and industry. Opinion polls suggest that consumers are quite happy to pay the taxes, but the plans for taxes on industry are controversial, and are set to head the political agenda this spring.

The government cut income taxes in 1994. It plans to claw back some of the shortfall in revenue by increasing so-called "green" taxes - including taxes on petrol and other fossil fuels and water. The household tax on water will rise from DKr1.35 (23 cents) per cubic meter in 1994 to DKr6.25 by 1998.

Far more controversial are proposals to impose hefty taxes on carbon dioxide emissions, which, apart from raising revenue, are required to enable the country to reduce emissions by 20 per cent between 1989 and 2005, which is Denmark's contribution to limiting the greenhouse effect.

The government's experts have concluded that the carbon dioxide reduction requires an average tax on emissions in the long term of about DKr200 per tonne, six times the present tax level. The difficulty is that if a tax of anywhere near this level is imposed on industries using a lot of energy, from oil refineries and cement to steel, chemicals, fishmeal and paper, the government will, as the chairman of the Association of Process industries, Mr Thorkild Juul Jensen, put it, certainly save energy, but only because these industries will move abroad.



Svend Auken, the Social Democrat at the Environment Ministry.

The tax model under consideration would keep the tax on energy-intensive companies low, at DKr50 per tonne, but this would still constitute a heavy burden on competitiveness. The government's idea is to recycle the revenue to the companies, so that the companies still have an incentive to save energy, but without the tax affecting their total costs. The tax on energy used for space heating will be DKr600 per tonne and for normal process energy (lighting, power for office machinery, and so on) it will be DKr200 per tonne of carbon dioxide.

These proposals have got everyone up in arms. The large industrial energy-users fear that, despite the reimbursement idea, their international competitiveness will be hit, while small businesses and industries want to know why their carbon dioxide tax, levied for space heating, should be increased 12 times, while the real polluters will hardly pay anything.

Lawyers specialising in EU law think the government is off on a wild goose chase: the EU Commission will rule that the proposed reimbursements to industry count as subsidies, and the Commission will not allow them.

The opposition parties, the Liberals and the Conservatives, are opposed to the green taxes on industry. They see the government, dominated by Social Democrats, being driven by this issue into the arms of the left-wing Socialist People's Party and the Unity List, who, say the opposition parties, will desert the government over the 1996 budget. In other words, they hope the green tax issue will, indirectly, topple the government.

NEWS: WORLD TRADE

Marubeni deal may be signal for other Tokyo companies to gain a foothold in new market

Japan to help develop Burma's economy

By Michiyo Nakamoto and William Dawkins in Tokyo

Japan's Marubeni trading company has signed a wide-ranging agreement with the Burmese government to help develop the country's infrastructure and market econ omy.

The agreement is the first of its kind between a Japanese trading company and the Burmese government. It could give Marubeni a significant head start in a country which is increasingly seen in Japan as a promising new market.

Although international criticism of Burma's military regime has deprived it of virtually all official Japanese development aid since 1989, the Japanese government has not withheld technical aid, or its blessing to private businesses eager to establish a foothold in a promising market.

The Marubeni agreement could be a signal for other Japanese companies to try and establish a foothold in the Burmese market.

Under the agreement, Marubeni has agreed to:

- act as project co-ordinator for the Burmese government's plans to build up and modernise airports, harbours, railroads and communications networks;
- promote joint ventures with local Burmese companies. Marubeni has announced two joint ventures already: with Dagon Industries, a local company, and Metchem Engineering Services of Singapore to set up a company to manufacture zinc sheet used in construction. Marubeni is also setting up a joint venture with a Burmese company and a German company to produce soft drinks;
- assist in the development of basic industries such as oil, steel and gas;
- promote exports of agricultural and mining products;
- help with a master plan to attract foreign investment through efforts such as the development of industrial parks.

Since last June, when the *Keidanren*, Japan's most influential business federation, sent a mission to Burma, Japanese companies have expressed growing interest in the prospects offered by new markets there.

A number of trading and construction companies have sent missions to Burma; Mitsui, the trading company, has signed a memorandum of understanding with the Burmese government jointly to conduct feasibility studies in a number of areas.

Marubeni is confident of the growth of the Burmese market. "Any country has risks, so unless you take that risk it is impossible to do anything. We believe the [Burmese] government is a stable one and we expect to see a lot of foreign interest in the country," Marubeni said.

The Marubeni accord is only the latest example of the technical aid that Japan gives to Burma. It is in line with the Tokyo government's strategy of spreading its own experience of a mixed free market and state-run economy to developing countries, in order to build contacts with emerging markets.

Burma provides a mere 0.03 per cent of Japan's imports, but nearly a third of its own imports come from Japan.

Other examples of Japanese help for Burma include Daiwa Research Institute, the research arm of Japan's second largest stockbroker, which is advising the Burmese government on setting up a stock market.

Mr Zenichi Ishikawa, DRI's research director, admits that a Burmese stock market is several years away, but that it is nearer than in Vietnam, where DRI has also been hired to advise on a securities market.

Burma, he points out, has the advantage of company laws inherited from its pre-1948 British colonial past. It already has a rudimentary over-the-counter market, in which shareholders in 29, many partly state-owned, companies make matched bargains. The Burmese government has indicated that it wants to move towards free markets and is planning a privatisation programme, said Mr Ishikawa.

DRI, recruited by Burma last November, is preparing training courses in Tokyo for Burmese government officials, to learn the basics of free-market theory, privatisation techniques and the functioning of capital markets.

Peter Sutherland: he may be asked to stay on beyond March

Deadlock on top job at WTO

By Frances Williams in Geneva

A new round of vote-counting among members of the World Trade Organisation is expected to reveal continued deadlock in the three-way contest to head the powerful world trade watchdog when the results become known this week.

Weeks of campaigning by the candidates have produced virtually no shift in the pattern of support, which remains on regional lines. Mr Renato Ruggiero, the European Union candidate, is well ahead of his rivals – Mr Kim Chul-su of South Korea and Mr Carlos Salinas, former Mexican president, backed by Washington.

Trade officials in Geneva say there will be no progress towards the necessary consensus unless and until one of the candidates withdraws. The US administration is said to be reconsidering its support for Mr Salinas, whose chances have been dealt a possibly fatal blow by Mexico's latest financial crisis, for which he has been blamed.

Nevertheless, trade diplomats do not expect any candidate to back down at this stage, increasing the likelihood that the current WTO chief, Mr Peter Sutherland, will be asked to stay on beyond his agreed leaving date of March 15.

Mr Sutherland has repeatedly said he is not a candidate for the WTO job in the longer term and there is little enthusiasm in Geneva for new names to come forward.

Honda leads race for Vietnam licence

Rivals compete to make motorcycles locally, **writes a correspondent in Hanoi**

Vietnam's hapless traffic police were only too pleased to accept a gift of 120 new motorbikes from Taiwanese motorcycle maker VMEP late last year.

The additional motorcycles crowding the country's chaotic streets means travel is scarcely any safer. But the marketing ploy may help VMEP's bid for one of the prized motorcycle manufacturing licences the Vietnamese government is expected to award, possibly next month.

Hanoi has not said how many licences will be given, but VMEP's main competitor, the Japanese vehicle manufacturer Honda, is considered frontrunner for the first one.

Honda has picked a subsidiary of the Ministry of Heavy Industry (MOHI) as its joint venture partner and will soon finish a feasibility study on a $100m plant in the north. The plant, which could start production 14 months after the award of a licence, would be able to turn out 350,000 units in five years.

The other contenders are Suzuki, Kawasaki and Yamaha of Japan, and Piaggio of Italy.

All candidates see rich pickings in a country where demand for motorcycles is growing at a brisk 10 per cent a year as Vietnamese dump the traditional bicycle in favour of motorised transport.

However securing the deals they hope for may not prove an easy ride. Honda had hoped to receive a licence some months ago but the application was held up by wrangling over what form of investment the Japanese would be allowed to make.

Initially, Honda wanted to set up a 100 per cent foreign-owned project, but Hanoi refused. An attempt to compromise with a 90 per cent-owned joint venture met with the same response.

A senior MOHI official said Hanoi would not be content with "anything less than a 30 per cent Vietnamese share". Honda is still negotiating, but is understood to be close to a deal.

Hanoi is also taking a tough line on technology transfer. A law passed in August last year stipulates that 60 per cent of parts used to make the motorcycles have to be made locally within six years of production begining. The move appears a shrewd way of ensuring the speedy transfer of technology to a country desperately short of it.

"We have learned that in Thailand, in the first 15 years [of motorcycle ventures], Thailand did not get any technology," the senior MOHI official said. "We also want to eliminate foreign manufacturers who just want to assemble motorcycles in Vietnam." But many foreign industrialists balk at the time scale, pointing out that other Asian countries that have welcomed foreign manufacturers have set more flexible local procurement rates.

"I just don't see how they can do it," said a foreign businessman. "It's too much to ask."

The difficulty will be finding Vietnamese contractors with the capability to make and deliver parts, given Vietnam's weak infrastructure.

Honda plans to bring in its own parts manufacturers from Japan to kick start local capability. Honda's confidence may be justified. Few of its competitors doubt that the Japanese company will get a licence soon and that it will secure the lion's share of eventual sales.

Honda already has 80 per cent of the market, partly because smuggled models have been available for many years.

"It's who's going to get the second licence that's the real issue," said Mr Stephen Wyatt, Hong Kong-based business development manager for Piaggio.

Yamaha, the world's second largest motorcycle maker, is also in the final stage of negotiations on a joint venture manufacturing plant. Piaggio is playing the technology transfer card strongly, touting the merits of new models rather than the traditional Vespa scooter, for which the company is widely known.

Industry experts say Suzuki would prefer to set up a motorcycle manufacturing line once it has a licence to make small trucks.

But for VMEP, a unit of the sprawling Ching Fong Group, a Honda licence spells trouble. Currently VMEP assembles two of its models at two plants under a licence granted in 1992. However quotas on vital imported parts have slowed production. The company hopes to ease this problem by boosting local parts production and received the appropriate licences earlier this year.

Honda's grip on the market is tightening. Its basic 100cc "Dream" model, for example, has achieved virtual cult status among young, upwardly mobile urban Vietnamese. They have no trouble affording the $2,800 price, itself inflated due to a punishing 60 per cent import tax.

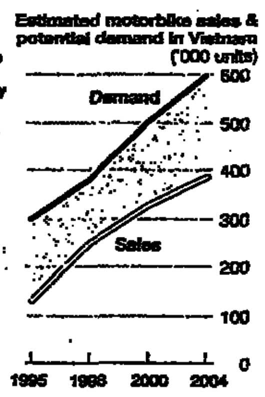
"Based on current market share, Honda's in the driving seat," said a foreign businessman. "I don't think they're too worried."

Honda's experience in south-east Asia

Time taken to manufacture motorbike parts locally

	Year motorbike manufacture started	Years elapsed	Percentage of parts made locally
Thailand	1965	29	80
Malaysia	1969	25	70
Indonesia	1972	22	75
Vietnam*	1998	6	60

* Targets



Source: Vietnam Economic Times

Peso devaluation adds to Caribbean woes

By Canute James in Kingston

Apparel producers in the Caribbean Basin are feeling the impact of the devaluation of the Mexican peso, which has boosted the competitive advantage of Mexican clothes in the US market.

While the growth of Caribbean apparel exports to the US has been slowing, Mexican exports grew twice as fast in the first half of 1994 as in 1993. This was a result of its more attractive terms of access under the North American Free Trade Agreement.

Caribbean apparel exporters believe any delay in securing increased access will depress the industry, and make Mexico relatively more attractive. Some business leaders report that prospective foreign investors have already delayed committing themselves to a Caribbean location, or have decided in favour of Mexico.

Exports to the US from the 24 member countries of the Caribbean Basin rose by 20 per cent between January and September 1993 compared with 13 per cent last year. By comparison, Mexican exports, which grew by 19 per cent in the first half of 1993, climbed by 42 per cent, according to the Caribbean Textile and Apparel institute, an industry lobby group.

"We expect to suffer further with the devaluation of the peso," said Mr Peter King, chairman of the institute.

Caribbean apparel exports to the US are excluded from preferential treatment under the Caribbean Basin Initiative because US industry feared a flood of cheap imports. The initiative allows some products duty-free access to the US. However, as a result of a series of bilateral treaties, the Caribbean exporters have been increasing their sales to the US.

Most apparel exports to the US come under "section 807" of the US tariff code. This allows garments to be assembled in the region from fabric made and cut in the US and re-exported to the US with duty paid only on the value added in assembly.

Apparel plays a big role in the Caribbean's economic life. Its share of the US market grew from 11.9 per cent in 1992 to 13.74 per cent in 1993, compared to 14.9 per cent held by the Association of South-East Asian Nations, 4.15 per cent by the European Union, 2.24 per cent by Latin American countries and 1.68 per cent by African states.

Caribbean economies earned $3.9bn from apparel sales in 1993, with most going to the Dominican Republic, Costa Rica, Guatemala, Honduras and Jamaica. The industry employs 450,000. The threat posed by the Mexican devaluation coupled with Washington's decision last year to postpone its introduction of legislation giving the Caribbean Basin's apparel industry tariff "parity" with Mexico's, explains much of the region's anger.

The US initiative would have removed all US tariffs and quotas on textile and apparel imports from Caribbean Basin countries.

The proposal formed part of an interim trade bill attached to legislation ratifying the Urugray Round of the General Agreement on Tariffs and Trade. But it was withdrawn – under pressure from US garment workers' unions – by the US administration because of fears that it would impede the Gatt legislation. The withdrawal of the interim trade legislation was "particularly upsetting" in light of the repeated assurances by the US," said Mr King. "This action is a breach of faith by the US administration."

WORLD TRADE NEWS DIGEST

Saudi legal case eases worries

A landmark legal battle won by a South Korean company against a Saudi government department should help ease fears of foreign companies dealing with the kingdom, lawyers said yesterday.

A lawyer for Hyundai Engineering and Construction said the Grievances Court awarded the company almost $100m from the Public Works and Housing Ministry in what he said was the largest such award to a foreign company.

Lawyer Salah al-Hujailan was confirming a report in the Jeddah daily al-Eqtisadiah that the court awarded Hyundai SR128m ($34.1m) in overdue payments and ordered the ministry to reimburse the company with a further SR235m ($62.7m).

The newspaper did not say when the ruling was reached but lawyers in the kingdom said the case – involving SR235m, which was deducted from the ministry's payments to Hyundai as a fine for alleged delays in completing the project – was settled earlier this year. The SR128m case ended late last year.

The lawyers did not give precise dates for what is the first news of the rulings.

"This is a landmark case and an unprecedented ruling," Mr Hujailan said of the two cases, that had been dragging in Saudi courts for 10 years. "It has not happened before in Saudi Arabia or in the Arab world that a company had been awarded a compensation as big as this," he added.

Mr Hujailan said the ruling, which was final, and a third case involving Hyundai, should ease fears of foreign companies dealing with the kingdom and encourage them to refer disputes to Saudi courts rather than seek international arbitration.

Many companies doing business with Saudi Arabia often insist on clauses in contracts allowing international arbitration in case of disputes for fear of being unable to resolve them locally, legal experts and diplomats said.

Saudi Arabia has been under pressure for years to observe international business codes to protect hundreds of foreign companies that have alleged discrimination in Saudi Arabia. Last year Saudi Arabia joined the New York Convention, whose members accept arbitration to settle commercial disputes, and applied for membership in the world trade body Gatt. *Reuter, Dubai*

India clears investment plans

India yesterday approved 48 foreign investment proposals worth more than $133m, including an expansion plan of European multinational Asea Brown Boveri, according to a government statement.

Swiss-Swedish conglomerate Asea Brown Boveri won a go-ahead to expand its manufacturing base in India by investing $16.5m in an ailing company "offering total turnkey solutions for power plants", the statement said. ABB, which already manufactures turbines and generators in India, will now hold a 76 per cent stake in the company, ACC Babcock.

Mitsubishi Corporation of Japan was allowed to form a joint venture to import, store and distribute superior grade kerosene oil in India, and neighbouring Nepal and Bhutan.

Seven of the approved investment proposals were for setting up export-based units in computer software, textiles and food-processing sectors, the government statement said.

India has attracted actual overseas investment flows of $1.76bn since 1992, after launching economic reforms which ended more than four decades of quasi-socialistic market fetters. Foreign investment proposals totalled $9.1bn in 1992-1994. *AFP, New Delhi*

Russian N-plant offer to Iran

Russia said yesterday it could help Iran build four nuclear reactors in the near future.

The Russian Atomics Ministry said that Moscow would complete construction of a reactor with a capacity of 1,000MW at Bushehr on Iran's Gulf coast under a contract worth about $1bn signed last month. Moscow could also build a similar 1,000MW reactor and two smaller ones – each with a capacity of 440MW – at the site at a later stage, the statement said.

US deals signed with China

US energy secretary Hazel O'Leary witnessed agreements worth more than $1bn being signed in Shanghai yesterday, but most were vague promises since real business is stuck in Chinese red tape.

A total of eight agreements were signed by US companies represented in Ms O'Leary's entourage of more than 75 top American business executives. However, all but two were letters of intent which may or may not result in firm contracts. *Reuter, Shanghai*

■ Triton Energy Corporation of the US has signed a contract with the Ecuadorean government to explore crude oil in the country's Amazon region. Triton will invest $15.5m in the initial exploration phase in return for a percentage of the discoveries made. Ecuador's president cited the contract as proof that foreign investors had confidence in the country despite the recent military conflict with Peru. *Raymond Collit, Quito*

■ Kommunar, a Ukrainian defence plant, plans to form a joint-venture with two US companies to make, distribute and sell cellular phones in Asia, Ukraine and other markets. Federal Systems Group, a Virginia-based concern, received a $3.2m grant under US Nunn-Lugar defence conversion funds and pledged to invest an additional $3.8m. FSG will convert 15,000 sq ft of factory space and retrain 120 Ukrainian employees. Omni Telecommunications of Illinois will supply technology to produce over 1m phones over five years. *Matthew Kaminski, Kiev*

■ Pakistan is set to build a $516m hydrocracker project in a joint venture with Crescent Petroleum International of Sharjah. Officials say it will save Pakistan $100m a year in foreign exchange by reducing imports of refined products. Prime Minister Benazir Bhutto is to break ground in Karachi on Thursday at a 250-acre site allocated for the project, with a planned capacity of processing 1.65m tonnes of reduced crude, commonly known as furnace oil, a year. *Reuter, Karachi*

■ Indian vehicle maker Premier Automobiles said it had linked with Fiat of Italy to manufacture Fiat's Uno model in India. The Uno will be manufactured at Premier's Kurla plant in north Bombay, a spokesman said. The first Uno is expected to roll out in January 1996, he said. Motor vehicle analysts say Uno will be competing with Maruti 800, the market-leading small car made by Maruti Udyog, a joint venture between Japan's Suzuki and the Indian government. Half a dozen car producers, including Mercedes-Benz, Volkswagen and Ford, have already announced plans to make executive-model cars in India. *Reuter, Bombay*

■ South China's Shenzhou Group and Robert Bosch of Germany have signed a Yn166m ($19.6m) contract to form China's biggest gas appliances venture, Xinhua news agency said yesterday. Bosch-Shenzhou Gas Appliances Company will be built in the suburb of Shunde outside the Guangdong province capital of Guangzhou, the news agency said. Bosch will put up 60 per cent of the investment and Shenzhou the rest, it said.

The group will use German technology and management to make "high value-added, safe and pollution-free" gas water heaters and other gas appliances for the Chinese and global markets. Production is expected to begin as early as June and rise eventually to a rate of 1.2m gas water heaters and 1m kitchen stoves each year – 70 per cent for export.

Shenzhou is China's largest gas appliances maker, with 1994 sales of Yn400m and exports of $6m. *Reuter, Beijing*

■ Swedish public works construction company Skanska said yesterday it had won a contract worth SKr1.3bn ($173.3m) to build a New York subway line in a joint undertaking with the BTP Perini group. There were no details on what proportion of the project would be carried out by the Swedish company's US subsidiary Slattery. *AFP, Stockholm*

■ Chinese tycoon John Gokongwei said yesterday he would set up a $850m petrochemical plant in Batangas province, about 50km south of Manila. Mr Gokongwei said the facility would produce polypropylene and polyethylene and will start commercial operations by late-1996. *Manila, AFP*

Many executive members look set to stay away

Arafat calls meeting to reassess peace deal

By Julian Ozanne in Jerusalem and Roula Khalaf in Tunis

Mr Yassir Arafat, chairman of the Palestine Liberation Organisation, looked last night to be taking a high-risk gamble by convening the PLO's highest decision-making body to reassess the faltering peace process with Israel.

The PLO executive is due to start meeting tonight in Cairo, in what Mr Arafat had clearly intended to be an exercise designed to bring pressure on Israel to deliver its part of the peace deal, by withdrawing from the occupied West Bank and clearing the way for Palestinian elections.

But because of deep divisions within the PLO governing body over the direction of the peace process, it looked unlikely last night that Mr Arafat would gather a quorum, risking a blow to his legitimacy and authority. Executive members who have backed the peace process, as well as those who were hostile from the outset, looked set to stay away.

Mr Arafat said in Paris yesterday: "We are committed to the peace process but at the same time we have arrived at an impasse. Because of this, tomorrow we will have a very important executive committee meeting in Cairo."

Mr Ahmed Qoreia (Abu Ala), an Arafat loyalist who helped negotiate the limited self-rule deal with Israel in 1993, said the executive "will take decisions to reinforce the peace process".

But other leading PLO figures, including Mahmoud Abbas (Abu Mazen), who signed the 1993 deal on the PLO's behalf, and Mr Farouq Kaddoumi, leader of Mr Arafat's Fatah faction, are hostile to the meeting's intentions.

On Sunday, Mr Jasmil Sourani, an independent member of the committee and secretary general of the PLO, said the peace process was dead.

In the occupied territories, the left-wing Palestine People's Party, which has solidly backed the peace process, said its leader, Mr Suleiman Najjab, would not be going to Cairo.

One PLO official in Tunis dismissed the hastily convened Cairo meeting as "an insult". "The problem is too serious; we can't just meet for two hours and come up with a statement."

Mr Arafat's last attempt to bolster his position by calling a PLO executive meeting – in the PLO-ruled autonomous territory of Gaza last November – broke up in disarray, with only eight out of 18 members of the body taking part.

But the persisting paralysis in the peace process, with Israel refusing to withdraw further from the occupied territories until the incipient Palestinian Authority cracks down on radical Islamic groups, has led to erstwhile PLO supporters of the self-rule deal moving towards the rejectionist camp.

Mr Arafat has not been able to convene a meeting of the executive of Fatah, nor of the Palestine National Council, the quasi-parliament of the Palestinians, for fear of being forced into a minority. This has added to growing criticism of his secretive leadership style and lack of accountability.

Kyrgyzstan poll set to boost reform

If he wins, Akayev will be pressed for more change, writes Steve LeVine

Supporters of Mr Askar Akayev, president of the remote and mountainous republic of Kyrgyzstan, are counting on his having secured a strong mandate in elections held at the weekend so as to allow him to make good on his promises of market reform.

In a country where half the 4.4m population still pursues a traditional way of life, the 50-year-old physicist dreams of creating the first economic success story in ex-Soviet central Asia.

International institutions have showered Mr Akayev with praise and financial backing

The turnround would be based on food processing, gold mining and – more optimistically – financial services.

But the pressure on Mr Akayev to put these ambitious ideas into practice will be stronger if, as expected, the elections – the results of which have been delayed until today after protests from some candidates and allegations of fraud – produce a parliament that is more "manageable" from the president's point of view.

Mr Akayev will no longer be able to use the excuse that stubborn communist bureaucrats are holding up his reforms.

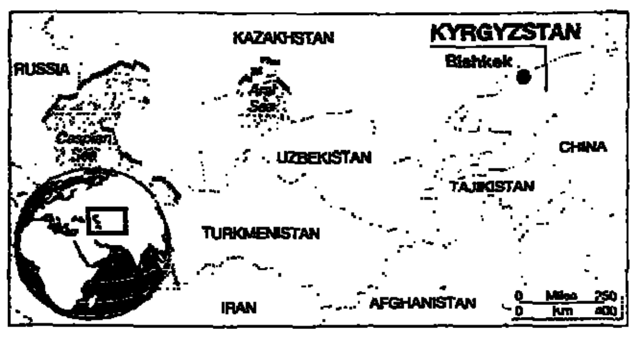
International lending institutions, accustomed to doing business with far less charming ex-Soviet politicians, have showered Mr Akayev with praise and financial backing.

Some observers accused western governments of looking the other way when presented with evidence that the election was being conducted in a way that favoured pro-Akayev candidates.

Western analysts say the election appears to have been managed by local regional heads known as *hakims* appointed by Mr Akayev. They say the *hakims* were helping to shift the election result and create a parliament favourable to Mr Akayev.

Agencies reported yesterday that President Akayev accepted there had been some vote-buying and that campaigning had been run along clan and ethnic lines.

The delay in announcing the results added to speculation that there may have been manipulation of votes after the polls closed, one diplomat said.



But the aftermath of the election may prove to be harder than the campaign, for Mr Akayev's supporters will be looking to him to make proper use of his new freedom of action.

In the words of one western analyst in Bishkek, the Kyrgyz capital, "You've seized power, so now let's see what you do with it."

The next several months will indicate whether Kyrgyzstan will at last attract the scale of foreign investment needed to follow up on western support Mr Akayev has enjoyed since the Soviet collapse.

International lenders thus far have seen the republic as a showcase for what monetary and fiscal discipline can accomplish.

While officially measured gross domestic product has fallen considerably – by 16 per cent last year alone – the country has enjoyed a stable currency backed by the International Monetary Fund.

The IMF and World Bank have largely underwritten the republic's economic reform programme with balance of payments and other support; just last year, donors pledged $500m in backing for the Kyrgyz reform programme.

Compared with other ex-Soviet republics, progress towards stabilisation has been impressive.

Inflation dropped last year to 87 per cent from 466 per cent in 1993. And the IMF expects 1995 gross domestic product to rise slightly, making Kyrgyzstan the first CIS member country to achieve growth since the Soviet disintegration.

In the gold sector, Canada's Cameco is working on the large Kumtor deposit, and the US company MK Gold has a contract for a second mine, Jerui.

The government says gold production reached two tonnes last year, up 31 per cent from 1993, and it has set an ambitious target of mining 20 tonnes by 1998.

Mr Akayev has yet, however, to take the next big step – reform of the agricultural sector which was supposed to get under way this year.

The sectors with potential for growth include livestock (including sheep, goat, cattle and pigs), mechanised grain production and sugar beet as well tobacco and medicinal plants.

The current state of agricultural reform was illustrated by figures released recently by the Kyrgyz prime minister, Mr Apas Jumagulov.

Since December, he said, 300 collectivised farms had been ostensibly restructured, but the process had gone so badly that more than 220 of them have been reorganised.

De Klerk pledge on national unity

By Roger Matthews and Mark Suzman in Cape Town

South Africa's National Party is committed to remaining part of the government of national unity, Mr F.W. de Klerk, party leader, said in Cape Town yesterday.

Mr de Klerk, one of two deputy presidents, had angrily threatened to quit the cabinet last month after a clash with President Nelson Mandela. The argument within the coalition government sent prices lower on the Johannesburg stock exchange and caused a flurry of international investor concern.

But yesterday Mr de Klerk described his working relationship with Mr Mandela as "correct, frank and cordial". During the weekend meeting of the National Party caucus, not a single member had raised the issue of pulling out of government, he added.

"This is not an issue or a subject of debate within the party. Rather, we are talking about how best we should play our role. We will continue with dedication to work within the government of national unity."

Mr de Klerk also appeared anxious to commit his party to a more permanent power-sharing agreement with the majority African National Congress. It was vital the main actors remained part of the decision-making process, he said. In drawing up the new constitution, it was important to the long-term stability of the country for a way to be found of perpetuating the present arrangement.

INTERNATIONAL NEWS DIGEST

World output in crude steel rallies

World production of crude steel rallied in the first month of 1995 after last year's slip back towards the lowest levels of the recession three years ago. Total crude steel production in January was 60.7m tonnes, a 6.9 per cent rise from January 1994, the International Iron and Steel Institute reported yesterday. Preliminary figures for full-year production in 1994 had shown global output at 723.3m metric tonnes, down from 730m the previous year and well below the 1989 peak of 786.9m.

In Asia, the region which has shown consistent growth over the past decade, steel producers reported another year's steady increase in output. Total crude steel production for the region in January was 21.7m tonnes, 5.4 per cent up on a year earlier. In Western Europe, a robust recovery was signalled by an increase in January's production to 14.5m tonnes, up 12 per cent on January 1994. Crude steel production in the former Soviet Union continued to decline, with output dropping to a preliminary 77.8m tonnes last year, down from 153.3m tonnes in 1988. Eastern Europe maintained signs of a modest recovery. Production was up to 2.6m tonnes, an 8.6 per cent rise on January 1994 but little more than half of monthly output eight years ago. *James Harding, London*

Turkmenistan bank decree

Turkmenistan's President Saparmurat Niyazov yesterday issued a decree wiping out government ministries' debts to banks as of February 1 and requiring them to hand over 75 per cent of their 1994 income to pay for public projects. Banks are also required lend money to state enterprises at an interest rate of 15 per cent a year, a fraction of the inflation rate that has taken the value of the national currency, the manat, from two to the dollar at its launch in October 1993 to 200 now. The decree says it aims to establish the "highest possible profitability of banks", but adds that excess profits should be transferred to the state budget. *Reuter, Ashgabat*

Jordan in first state share sale

In its first big step towards privatising state holdings, Jordan has accepted a bid for 54 per cent of a five-star hotel, the head of the state investment body said yesterday. The sale was for 2m shares of a total of 3.6m shares in the Jordan Hotels and Tourism Company. Jordan Investment Corporation (JIC), the investment arm of the government, will retain a 32.7 per cent stake in the hotel, down from 87.7 per cent.

"The corporation has in principle agreed to sell 62.3 per cent of its shareholding in the Intercontinental Jordan to a group of Arab and Jordanian investors," Mr Mohammed Batayneh, general manager of JIC, told Reuters. Mr Batayneh said Zara Investment Company made the highest offer among foreign, Arab and local investors bidding for the 382-room hotel. He said he expected the JIC board to approve the sale next week. Zara is Jordan's largest private sector company in tourism, with plans to put $100m into hotel ventures. *Reuter, Amman*

Kenya clamps down on group

Kenya has banned a non-governmental organisation which published a report alleging that high-level corruption had reached alarming proportions in Kenya, a government statement said yesterday. The official notice outlawing the Centre for Law and Research International (Clarion) accused the organisation of "disseminating inaccurate and unsubstantiated material of a political character which gravely injured the credibility of the Kenyan government". Last month Clarion released a voluminous report accusing the government of aiding and abetting high-level corruption. *AFP, Nairobi*

Seoul gives more freedom to central bank

By John Burton in Seoul

The South Korean government will give the central bank more freedom to set monetary policy, it said yesterday. But critics called the reform cosmetic.

The decision was taken in response to growing demands for increased independence for the Bank of Korea (BoK) as part of the country's programme for financial liberalisation.

The bank is regarded as one of the most tightly state-controlled central banks among the industrialised countries.

Korea's monetary policy is now essentially dictated by the ministry of finance and economy, which closely supervises the bank.

The proposal by Mr Hong Jae-hyong, deputy prime minister for economic affairs, will strengthen the role of the monetary board, the bank's key decision-making body, by appointing its head as bank governor and giving him more autonomy.

Composition of the nine-member monetary board will include a wider range of government ministries and financial institutions than is at present represented.

The Bank of Korea will lose its supervisory powers over the banking, securities and insurance sectors in what its officials claim is a considerable weakening of their power.

> South Korea's central bank is one of the most tightly state-controlled among industrialised countries

The three financial regulatory bodies will be merged into a new agency, which is expected to be strongly influenced by the ministry of finance and economy, since it will appoint most of its senior officials.

The separation of the supervisory agencies "deprives the BoK of the tools to create an open-market mechanism for monetary policy" since the finance ministry retains control over financial markets through the new regulatory agency, said Ms Anne Lowell, a banking analyst for W I Carr Securities in Seoul.

Moreover, Mr Hong said the finance ministry would establish a consultative body to co-ordinate monetary policy with the central bank since ultimate responsibility for economic policy remains with the government.

The proposed restructuring of the BoK is likely to be opposed by the central bank and opposition political parties, which have demanded that the BoK should have full authority over monetary policy, while retaining its regulatory powers over financial institutions.

Overhaul of the BoK is part of a reorganisation of economic agencies recently ordered by President Kim Young-sam to reduce the strong state role in the economy.

Last December, the finance ministry and the economic planning board, the two main economic bodies, were merged to streamline government administration.

Conglomerate trading practices to be probed

By John Burton in Seoul

The South Korean government yesterday launched an investigation into alleged unfair trading practices by Sunkyong, the country's fifth largest conglomerate, in what is seen as a renewed effort to curb the economic power of the industrial groups.

The inquiry into Sunkyong follows severe criticism of the government's industrial and economic policy last week by the group's chairman, Mr Chey Jong-hyun, in his capacity as the head of the Federation of Korean Industries, the body which represents the country's leading conglomerates.

The Fair Trade Commission denied its investigation of Sunkyong was politically motivated.

The commission said the inquiry was part of regular inspections, already announced, to examine transactions among the subsidiaries of the 30 top industrial groups, the chaebol.

The investigation will determine whether four main Sunkyong affiliates, including its trading, oil refining, petrochemical and construction units, favoured group subsidiaries for contract awards at the expense of outside companies.

It will also investigate property and stock transactions within the group.In a rare public attack on government policy by a business leader, Mr Chey criticised as "outdated" its efforts to streamline the chaebol and reduce the shareholding of the founding families that dominate ownership of the groups.

> The Fair Trade Commission denied its investigation of Sunkyong was politically motivated

He also took exception to the government's anti-inflation policy to cool the economy through a squeeze on money supply and increased interest rates.

In apparent fear of official retribution, Mr Chey later retracted some of his remarks during a meeting with Mr Hong Jae-hyong, deputy prime minister for economic affairs.

The government has often resorted to tax inquiries and other regulatory investigations of the chaebol that appear to challenge state policy or South Korea's ruling party.

The administration of President Kim Young-sam has been criticised for not taking sufficient steps to curb the economic dominance of the chaebol, which is a politically popular issue.

Public hostility toward the chaebol is rising as bankruptcies among small and medium companies rise despite the nation's buoyant economic growth.

The chaebol are blamed for consuming large amounts of capital funds at the expense of smaller cash-starved businesses.

The launch of an investigation into alleged unfair trading practices by Sunkyong and other industrial groups is seen as an attempt by Mr Kim's government to tap anti-chaebol sentiment and increase support for the ruling Democratic Liberal party ahead of local elections in June.

Chill through ranks of the 'red princelings'

Simon Holberton and Tony Walker on the arrest of a Chinese businessman

It is the organisation with which he was associated and his family connections that made the arrest of Mr Zhou Beifang, a key Hong Kong-based executive of China's giant steelmaker Shougang, such a political talking point.

For Shougang (Capital) Iron and Steel is China's third largest steel works, fourth largest state enterprise and the biggest employer in Beijing, apart from the government. Located at the western end of Beijing's main boulevard, the vast Shougang complex dominates the approaches to the capital.

As the son of the former chairman of Shougang who was also a close associate of Mr Deng Xiaoping, China's senior leader, Mr Zhou grew up in a privileged circle. Many of his class – the sons and daughters of the Chinese *nomenklatura* – have gone into business.

There is hardly a state enterprise with tentacles in capitalist Hong Kong that does not have among its executives or directors a member of the mainland élite. Indeed several of Mr Deng's own family, including a son and sons-in-law, are involved in Hong Kong based companies, including a Shougang offshoot.

Hong Kong businessmen, anxious to cement their own connections on the mainland, have provided the introductions, advice and capital to facilitate the entrée of the so-called "red princelings" to a high octane world of luxury and largesse. Mr Zhou's arrest on suspected corruption is certain to be sending a chill through princeling ranks.

> There is hardly a state enterprise with tentacles in capitalist Hong Kong that does not have among its executives or directors a member of the mainland élite, the sons and daughters of senior party officials

These connections were on show last summer when Mr Zhou threw a party in Hong Kong to celebrate the renaming of a number of Hong Kong companies over which Shougang exerted control and for which Mr Zhou had day-to-day responsibility.

The colony's tycoons rubbed shoulders with leading figures of the Chinese Communist party based in Hong Kong. On hand for the ceremonies was Mr Zhou's father, Mr Zhou Guanwu, whose retirement as head of Shougang was announced last week, just days before it emerged his son had been arrested.

The occasion was, in the words of one analyst present, "like a scene from pork barrel politics" as the tycoons paid their respects to father and son. Prominent among the well-wishers was Mr Li Ka-shing, one of Hong Kong's wealthiest men and controlling shareholder in Cheung Kong, a property and investment company, and Hutchison Whampoa, a diversified conglomerate.

Indeed, in 1992, Mr Li had acted as midwife to Shougang's entry into Hong Kong when he helped the mainland steelmaker secure control of Tung Wing Steel, a recently listed and little known steel trader. The company was renamed Shougang Concord International Enterprises and Mr Li still retains a 12.09 per cent interest.

At the weekend Mr Li, who was in Beijing for a meeting of the Preliminary Working Committee, a group advising China on the handover of Hong Kong in 1997, said that as a friend of Mr Zhou's he was sorry to hear about his arrest. But he deflected suggestions that Mr Zhou's difficulties held any implications for Cheung Kong; it had few business dealings with Shougang, he said.

A statement by the Shougang group of companies released yesterday said their "co-operation" with Cheung Kong remained "unchanged".

Mr Li has not had an easy time recently on the mainland where his showcase $1.2bn Oriental Plaza property development in Beijing has run into difficulties and appears to be in the process of being scaled down.

This has encouraged speculation that Mr Li's Beijing connections may not be as helpful to Cheung Kong's ambitions as had previously been assumed. His closeness to the Deng clan may prove a diminishing asset as the senior leader's life ebbs.

Among Mr Li's business connections with the Deng family is one that runs through Shougang Concord International which in turn controls Shougang Concord Grand, a property company. Mr Deng's second son, Mr Deng Zhifang, is vice chairman and chief executive of the latter. Mr Zhou Beifang has been its chairman. Mr Li's second son Richard is managing director.

Shougang's Steel's connections with Mr Deng Xiaoping led to it being accorded exceptional autonomy at home and abroad – privileges denied other mainland companies. It was even allowed to establish its own bank in a country where new banking licences are scarce.

This autonomy led Shougang as far afield as Peru, where it bought an iron ore mine, and to California where it purchased a steel mill which it is dismantling and having shipped back to China.

But it was in Hong Kong where Shougang was most active. Under Mr Zhou Beifang's leadership Shougang took control of five Hong Kong listed companies and made investments in three others. Along the way it also acquired a luxury yacht, named Shougang Concord, which is moored at the Aberdeen marina on Hong Kong island.

The companies in Hong Kong under Shougang's control have a collective market capitalisation of about HK\$11bn (£916m). In 1993 and 1994 they raised about HK\$7bn in bonds and shares for the purchase of mainland assets.

Mr Zhou's arrest has given the stock exchange and the Securities and Futures Commission something of a problem. It appears that neither body was informed by Beijing of the arrest in spite of Mr Zhou's position at the head of a medium-sized group of companies in Hong Kong. In the absence of information from Beijing, the stock exchange has demanded an explanation from Shougang Concord International and Shougang Concord Grand.

It got that yesterday. Their statement was enough to persuade the exchange to allow Shougang and its subsidiaries' shares to be traded again today. But if the reaction of the stock market yesterday to the so-called "red chips" – which fell sharply on the news of Mr Zhou's arrest – was any indication, the Shougang group seems set for a rough re-entry to the capitalist world.

Taliban gear up for holy war

Farhan Bokhari looks at a new force gaining ground in Afghanistan

Dressed in knee-length cotton trousers and a long white shirt, the bearded Mullah Inayatullah Burhani, a religious philosophy teacher in his early 30s, stands in the middle of a group of teenage boys, urging them to go to *jihad* (holy war).

At least one has signed up to return to Afghanistan after the Ramadan fasting month and, judging from the crowd's enthusiasm, more could follow.

As the Taliban movement gains ground on Afghanistan's political and military map, religious schools such as the Darul-uloom Sarhad in the heart of Pakistan's northern frontier city of Peshawar are gearing up to send volunteers from among their Afghan students.

Mullah Burhani claims that up to 4,000 have left from the North-West Frontier Province, of which Peshawar is the capital, during the past three months – almost a sixth of the group's total strength.

The Taliban have seized control of almost a third of Afghan territory and have fast emerged as the most important power brokers to dictate the future. A UN plan for transferring power to a 25-member council has run into trouble, partly because of conditions laid down by the movement.

The Taliban want only "good Moslems" to come to power, setting the course for a puritan Islamic state. Analysts fear that if the group is excluded from a future government, the country's next administration would be ineffective.

Suspicions continue over the group's connections. Fingers have been pointed towards the ISI (Inter-Services Intelligence), Pakistan's élite intelligence agency, as well as the Saudi Arabian government and even the UN, which some surmise may be backing the group so it could establish a firm authority on the fractured country.

Taliban fighters cluster atop a tank near Kabul as one makes a loudspeaker announcement *Reuter*

So far, no conclusive evidence exists, though suspicions over Pakistan's involvement remain strongest. Ms Benazir Bhutto, Pakistan's prime minister, denies any involvement: "We have no favourites in Afghanistan; we do not want to interfere in Afghanistan".

Analysts are surprised over reports that the Taliban movement has a 12-strong squadron of MiG-21 Russian-built fighters and up to 200 tanks. "Religious schools don't teach students to fly planes or use tanks. There's certainly a connection somewhere to an outside organisation," one Pakistani official concedes.

Others say the group, which began with a force of under 1,000, has been joined by defectors from the Afghan government forces, such as officers frustrated over infighting among rival *Mujahideen* guerrilla factions.

"I can fly a helicopter and drive a tank. I've fought in the war," says Mullah Burhani, who denies any external connections. Many of the movement's members have seen action during the 10-year war against invading Russian troops in the 1980s.

Mullah Ahmed Jan, a recent graduate who has just begun teaching at Ziaul Madrissa al-Arabia al-Islamia, a reputedly Saudi-funded school on Peshawar's outskirts, says: "People support the Taliban because we can give them a better life."

The Taliban have taken popular action in the 10 provinces they control.

Road blocks set up by Mujahideen factions to collect money have been removed.

The group favours extreme steps such as barring women from public life and restricting anything else that they would consider to be unIslamic. Supporters in Peshawar argue that most Afghans favour their cause and practices because what they preach is in line with their country's religious beliefs and traditions.

But despite recent successes, the Taliban have shown few indications of having a vision of government.

Confronted with administrative issues, their leaders maintain that all authority rests with Allah.

"The concept of government was given by Islam, 1,400 years ago," says Mullah Burhani. Mullah Jan adds: "In war, western fighters devise a strategy, then attack. We leave everything to Allah, attack and fight."

ASIA-PACIFIC NEWS DIGEST

Tokyo 'worried over yen rise'

Japan's finance ministry is watching the yen's rise against the dollar with "grave concern," Mr Jiro Saito, vice-finance minister, said yesterday. The ministry was keeping in close touch with other Group of Seven leading industrial countries, to co-operate on currency market issues. He noted the yen was rising against the dollar in tandem with the D-Mark's rise.

The yen's strength, identified by the Organisation for Economic Co-operation and Development as the greatest threat to Japan's economic recovery, is a headache for its export-dependent manufacturers. Yesterday afternoon in Tokyo, the Japanese currency touched Y96.82 to the dollar, the highest since November 9 last year. *William Dawkins, Tokyo*

Manila cuts public sector debt

The Philippines government slashed its public-sector deficit last year to 1.7bn pesos (£44m) from 37.77bn pesos in 1993, the Department of Finance revealed in Manila yesterday.

The fall in the total public-sector deficit (the national deficit plus government subsidies to state companies) meant the government was fulfilling the deficit reduction conditions agreed with the International Monetary Fund last August for a three-year credit facility, officials said.

The government posted a 18.1bn pesos budget surplus last year, the first since 1987 and a turnround from a 21bn pesos deficit in 1993. Most of the increased revenues came from non-recurring items such as privatisation receipts and multilateral grants to the government. *Edward Luce, Manila*

Ex-state premier sentenced

Mr Ray O'Connor, a former Western Australian state premier, was sentenced to 18 months' jail yesterday after being convicted of stealing A\$25,000 (£11,960) from the now-collapsed Bond Corporation investment group in 1984. The Perth District Court heard the money had been intended as a political donation for his Liberal party but ended up in Mr O'Connor's personal bank account.

Mr O'Connor served as premier for 13 months in 1982-83 before retiring from parliament in August 1984. The court was told he was suffering from prostate cancer and needed daily therapy but Judge Paul Healy said he had no option but to jail him. Mr O'Connor had pleaded not guilty. Mr Brian Burke, a former Labor party premier in the state, was released from jail on Saturday after serving eight months of a two-year sentence for stealing about A\$17,000 from his parliamentary travel account. *Reuter, Perth*

Australian hard line on Burma

Burma's neighbours in the Association of South-East Asian Nations should not grant it increased recognition without democratic reforms and a better human rights record, Senator Gareth Evans, Australia's foreign minister, said in Bangkok yesterday.

Burma had appeared to be "going down the path of reconciliation" after last year's meetings between leaders of the State Law and Order Restoration Council (Slorc) and Ms Aung San Suu Kyi, the detained opposition leader, he added. But its failure this year to release Ms Suu Kyi and the launch of a military campaign against the Karen opposition group showed reconciliation had been "at least temporarily reversed". *William Barnes, Bangkok*

Pyongyang nuclear call rejected

South Korea yesterday rejected a North Korean proposal that it play a subordinate role in providing modern light-water nuclear reactors to Pyongyang. Seoul reiterated that it should have the central role in supplying the reactors and this should be stipulated in both "name and content" in any contract concluded between North Korea and the international consortium responsible for the reactor project.

North Korea last week threatened to scrap its nuclear accord with the US if Washington insisted Pyongyang accept the safer South Korean reactors as replacements for its current nuclear facilities. *John Burton, Seoul*

■ Public-sector workers in China had a 7 per cent pay rise in real terms in 1994, according to the State Bureau of Statistics. The average annual salary officially rose 33.8 per cent to Yn4,510 (£344) *AFP, Beijing*

■ Unemployment in Hong Kong was 2 per cent in the last quarter of 1994. Out of a total population of 6m only 60,100 were estimated to be out of a job. The Hong Kong General Chamber of Commerce declared that insufficient labor was "damaging" Hong Kong's economy. *AFP, Hong Kong*

INTERNATIONAL ECONOMIC INDICATORS: PRODUCTION AND EMPLOYMENT

Yearly data for retail sales volume and industrial production plus all data for the vacancy rate indicator are in index form with 1985=100. Quarterly and monthly data for retail sales and industrial production show the percentage change over the corresponding period in the previous year, and are positive unless otherwise stated. The unemployment rate is shown as a percentage of the total labour force. Figures for the composite leading indicator are end-period values.

■ UNITED STATES

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	7.1	100.0	91.2
1986	105.5	100.9	6.9	98.3	95.4
1987	108.4	106.0	6.1	108.3	98.5
1988	112.6	110.7	5.4	107.6	100.0
1989	115.6	112.4	5.2	101.4	98.8
1990	116.4	112.4	5.4	87.0	95.0
1991	114.0	110.5	6.6	64.6	99.7
1992	117.8	114.1	7.3	63.9	104.5
1993	123.8	118.8	6.7	69.0	110.3
1994	131.4	125.1	6.0	79.0	113.5
1st qtr.1994	7.0	4.1	6.5	75.0	110.9
2nd qtr.1994	6.1	5.4	6.1	78.4	111.0
3rd qtr.1994	5.8	5.8	5.9	78.9	112.1
4th qtr.1994	5.6	5.9	5.5	83.4	113.5
February 1994	7.0	3.9	6.5	76.6	110.6
March	9.7	4.7	6.5	77.2	110.9
April	6.7	4.8	6.3	77.1	111.3
May	5.6	6.6	6.1	80.0	111.4
June	5.8	5.9	6.0	78.2	111.0
July	5.0	5.6	6.0	80.6	111.5
August	6.0	6.2	6.0	78.5	111.7
September	6.5	5.7	5.8	77.8	112.1
October	6.4	6.1	5.6	84.0	112.5
November	6.1	5.9	5.5	82.0	112.8
December	4.4	5.8	5.4	84.3	113.5
January 1995		6.2			

■ JAPAN

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	2.6	100.0	77.1
1986	106.6	99.7	2.8	94.3	84.2
1987	113.8	103.1	2.8	108.3	91.6
1988	122.6	113.1	2.5	135.9	97.1
1989	132.5	119.7	2.2	147.0	99.1
1990	141.7	124.5	2.1	149.6	96.6
1991	144.6	126.8	2.1	144.2	94.3
1992	139.9	119.0	2.1	124.2	93.5
1993	131.8	113.6	2.5	108.6	99.2
1994		114.5	2.9	102.0	107.7
1st qtr.1994	−2.9	−3.1	2.8	101.7	102.4
2nd qtr.1994	−1.8	−1.1	2.8	102.9	103.9
3rd qtr.1994	−1.2	1.7	3.0	102.6	106.0
4th qtr.1994		5.9	2.9	100.6	107.7
February 1994	−3.7	−4.4	2.9	97.7	101.1
March	−3.1	−2.2	2.8	110.7	102.4
April	−1.9	−2.0	2.8	99.5	103.1
May	−3.4	−1.8	2.8	103.8	103.2
June	−0.1	0.7	2.9	105.1	103.9
July	−0.2	−0.5	3.0	98.6	105.3
August	−2.1	3.6	3.0	106.9	105.8
September	−1.1	2.0	3.0	102.2	106.0
October	−1.4	4.6	3.0	100.2	106.6
November	0.9	6.3	2.9	102.0	107.2
December		6.8	2.8	100.0	107.7
January 1995					

■ GERMANY

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	7.1	100.0	89.7
1986	103.3	102.2	6.4	136.4	89.5
1987	107.4	102.6	6.2	149.4	90.3
1988	110.5	106.3	6.2	164.8	95.6
1989	114.2	111.4	5.6	218.7	97.9
1990	123.5	117.2	4.8	261.1	98.3
1991	130.5	120.8	4.2	270.7	95.8
1992	127.7	119.1	4.6	260.2	90.0
1993	122.7	110.8	6.1	198.5	95.9
1994	120.9	114.3	6.8	196.8	104.9
1st qtr.1994	0.5	−0.0	6.8	194.3	98.6
2nd qtr.1994	−1.7	3.1	6.9	189.2	101.5
3rd qtr.1994	−2.3	3.7	6.9	193.4	103.2
4th qtr.1994	−2.3	6.0	6.8	208.4	104.9
February 1994	0.7	1.0	6.8	196.8	97.5
March	0.6	0.7	6.9	195.9	98.8
April	−7.8	2.8	6.9	192.6	100.0
May	2.8	2.3	6.9	188.4	100.7
June	0.0	4.1	6.9	186.7	101.5
July	−3.0	6.4	6.9	190.1	102.1
August	−2.6	1.8	6.9	192.6	102.8
September	−1.4	3.1	6.9	198.4	103.2
October	−2.2	4.7	6.8	203.4	103.8
November	−3.8	6.2	6.8	208.4	104.6
December	−1.0	7.3	6.8	213.4	104.9
January 1995				210.9	

■ FRANCE

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	10.3	100.0	90.0
1986	102.4	101.1	10.4	107.0	96.3
1987	104.5	103.1	10.5	117.2	96.2
1988	107.9	107.3	10.0	135.3	100.9
1989	109.5	111.3	9.4	160.6	100.6
1990	110.3	112.9	8.9	163.2	96.1
1991	110.3	113.2	9.4	128.2	97.2
1992	110.5	113.2	10.4	109.5	95.8
1993	110.7	110.1	11.7	90.0	98.9
1994	110.9		12.6	104.1	102.5
1st qtr.1994	1.3	0.3	12.5	93.6	100.9
2nd qtr.1994	−1.2	3.6	12.8	110.6	102.6
3rd qtr.1994	1.4	5.3	12.6	109.0	102.9
4th qtr.1994	−0.9		12.6	103.5	102.5
February 1994	1.3	−0.8	12.5	95.1	99.9
March	2.0	0.5	12.6	103.3	100.9
April	−3.8	3.5	12.6	113.6	102.1
May	3.1	3.8	12.7	109.8	102.7
June	−2.7	3.6	12.6	106.3	102.6
July	−2.1	5.5	12.6	105.2	102.4
August	3.9	5.5	12.6	109.6	102.5
September	2.4	5.1	12.7	111.9	102.9
October	−2.3	4.7	12.6	108.3	102.9
November	−1.0	4.5	12.6	102.2	102.7
December	0.7		12.6	99.7	102.5
January 1995					

■ ITALY

	Retail sales volume	Industrial production	Unemployment rate	Composite leading indicator
1985	100.0	100.0	9.6	88.2
1986	106.8	104.1	10.4	94.2
1987	112.1	106.8	10.8	95.8
1988	107.9	114.2	10.9	99.5
1989	118.8	118.7	10.9	97.8
1990	114.4	118.0	10.3	94.5
1991	110.9	115.4	9.8	96.6
1992	116.9	115.4	9.8	93.7
1993	114.2	112.9	10.2	100.4
1994				103.8
1st qtr.1994	−5.7	−0.9	11.7	101.7
2nd qtr.1994	−5.9	5.0	12.5	102.3
3rd qtr.1994	−4.5	9.0	11.8	102.8
4th qtr.1994				103.8
February 1994	−8.6	−0.2	n.a.	101.4
March	−2.3	1.0	n.a.	101.7
April	−10.5	6.9	n.a.	102.0
May	−3.0	2.8	n.a.	102.1
June	−3.8	5.2	n.a.	102.3
July	−2.3	6.8	n.a.	102.5
August	−4.9	12.9	n.a.	102.8
September	−6.0	7.8	n.a.	102.8
October		7.4	n.a.	103.2
November		7.7	n.a.	103.5
December			n.a.	103.8
January 1995			n.a.	

■ UNITED KINGDOM

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	11.2	100.0	90.0
1986	105.3	102.4	11.2	116.1	93.0
1987	110.7	106.5	10.3	141.2	97.0
1988	117.8	111.6	8.6	143.1	95.6
1989	120.1	114.0	7.2	123.5	93.5
1990	121.1	113.7	6.8	97.2	91.3
1991	119.6	109.2	8.8	68.2	95.3
1992	120.5	109.0	9.9	69.3	99.2
1993	124.7	111.3	10.3	78.3	106.6
1994	129.0	117.1	9.5	94.0	110.8
1st qtr.1994	3.8	4.2	9.9	84.6	108.7
2nd qtr.1994	3.8	5.8	9.6	89.0	108.9
3rd qtr.1994	3.4	5.8	9.5	96.5	110.1
4th qtr.1994	2.9	5.1	8.9	106.2	110.8
February 1994	2.8	3.9	9.9	84.5	108.3
March	3.7	4.3	9.8	84.8	108.7
April	4.3	6.1	9.6	87.4	108.5
May	4.1	5.1	9.6	88.2	108.7
June	3.1	6.3	9.8	91.3	108.9
July	3.8	5.4	9.6	93.5	109.6
August	3.1	5.5	9.5	97.1	109.8
September	3.5	6.8	9.3	98.9	110.1
October	2.9	5.9	9.1	105.3	110.3
November	2.3	4.0	8.9	106.9	110.7
December	3.6	5.3	8.7	106.3	110.8
January 1995	0.3			104.8	

All series seasonally adjusted. Statistics for Germany apply only to western Germany. Data supplied by Datastream and WEFA. Retail sales volume: data from national government sources except Japan and Italy (value series deflated by OECD using CPI). Refers to total retail sales except France and Italy (major outlets only) and Japan (department stores only). Industrial production: data from national government sources. Includes mining, manufacturing, gas, electricity and water supply industries except Japan (mining and manufacturing only) and UK (also includes construction industries). Unemployment rate: OECD standardised rate which adjusts as far as possible for the different definitions of unemployment used in official sources. Vacancy rate indicator: relevant vacancy measure divided by total civilian employment, expressed in index form. Derived from OECD series. US – help-wanted advertising, Japan – new vacancies, Germany and France – all jobs vacant, Italy – no data available, UK – unfilled vacancies. Composite leading indicator: OECD data. Each is a combination of series, cyclical fluctuations in which usually precede cyclical fluctuations in general economic activity.

هكذا من الاصل

Bills sale today aimed to finance debt service

Argentina's auction will test confidence

By David Pilling in Buenos Aires

Argentina will seek today to auction $230m (£146m) of short-term treasury bills on the domestic market, in a crucial test of investor confidence. The auction is part of the government's programme to finance debt service payments of more than $5bn this year.

Argentina's path to longer-term international finance has been effectively blocked by the Mexican crisis, which has sharply increased the perceived risk of most Latin American economies and so the interest-rate premium to be paid on sovereign issues.

Following the decision by Mr Domingo Cavallo, the Argentine economy minister, to avoid international issues altogether until normality returns, Argentina has been forced to turn to its illiquid domestic market for funds.

The treasury intends to raise a total of $1.7bn in the first quarter through weekly auctions of 90- and 180-day notes, or *letras*.

In the first such auction last week, the government sold $272m in 90-day notes at 10.4 per cent, 280 basis points *higher than* was *the rate just* before the Mexican crisis. The auction was regarded as a moderate success but the treasury surprised many by placing more than the $200m originally planned, even though this meant raising the coupon from 9.75 to 10.4 per cent.

"This gave the impression that the government was desperate for the money," one trader said.

The auction today will be closely watched because it follows the sharp fall last week on the stock exchange, which brought the February fall of the Merval index to 17 per cent. One analyst said there was "very little enthusiasm" for today's auction.

The Merval closed up by a marginal 1.5 per cent yesterday, on very thin trading, as investors awaited firmer news on Mexico's rescue.

Mr Adalberto Rodriguez Giavarini, an opposition economist, believes that, in turning *to the domestic market*, the treasury risks "crowding out" other potential issuers and pushing up interest rates.

"The availability of credit will be scarce and the demand intense, once you add the state and the big companies that had been financing their needs abroad," he added.

Many observers believe Argentina may try to ease its financing needs by asking the IMF for funds, though Mr Cavallo has denied this often. An IMF team is in Buenos Aires negotiating the possibility of an "enhanced monitoring" of the national accounts, agreement to which would raise Argentina's international credibility.

Caribbean protest at plan to ship N-fuel through region

By Canute James in Belize City

Caribbean governments have told Britain, France and Japan to prevent the passage through the region of a shipment of nuclear waste which is to leave France tomorrow for Japan.

Caribbean Community (Cari*com) leaders, meeting in* Belize City, are sending strong letters to London, Paris and Tokyo, asking them "to respect the clear position of the Caribbean Community in this matter, now and in the future."

The controversial shipment is made up of waste from the reprocessing of spent nuclear fuel from Japan, which British Nuclear Fuels and Cogema of France have been doing since 1968. *It is the first shipment of* waste back to Japan, where it is to be stored.

Representatives of BNFL and Cogema have said there is no basis for growing concern about the safety of the shipment, the first of several to be made over the next 15 years.

But environmental protection groups in the Caribbean and Greenpeace International, the environmental group, say the shipment is a threat to *countries along* its *route*. "The region is concerned about the recurring threat posed by the shipment of hazardous and radioactive material through the Caribbean Sea," said Mr Manuel Esquivel, prime minister of Belize and chairman of the Caricom meeting.

"We are totally opposed to any such shipment, and we are calling on the parties involved to desist from using the Carib*bean," Mr Esquivel said.*

The reprocessing and transport of the material between Japan and Europe, and its reprocessing at BNFL's Sellafield plant in England and Cogema's plant at La Hague in France, has never threatened any country, said Mr Malcolm Miller, BNFL's operations manager for transport.

The UK-registered ship which carries the nuclear waste has met all the requirements of the International Atomic Energy Agency and the International Maritime Organisation for the transport of nuclear material, Mr Miller added.

Representatives in Washington of the US possessions of Puerto Rico, the US Virgin Islands, American Samoa and Guam, and of the US state of Hawaii, have asked President Bill Clinton to demand that the British, French and Japanese governments postpone the shipment of nuclear waste until concerns about its safety are resolved.

Turbulence ahead for Brown the high-flyer

Nancy Dunne reports on why the much hailed US commerce secretary is under investigation for alleged irregularities in his business affairs

Just one month ago Mr Ron Brown was in top form and flying high. Shepherding 26 chief executive officers around India on a presidential trade mission, he was being *hailed by business leaders as* one of the most effective US commerce secretaries ever.

Indeed, nothing seemed beyond his reach – a run for Senate in his native New York, the chairmanship of a leading US corporation and, some said, even secretary of state.

But, even while in India, there were inklings of trouble. The Wall Street Journal reported that a former business partner, Ms Nolanda Hill, had paid $190,000 (£122,600) of Mr Brown's personal debts. "Mr Brown is certain to face additional scrutiny, given Washington's changed political climate," the story said.

Ron Brown: Powerful Democrat with a long reach — Picture: Reuter

As Mr Brown witnessed the signing of $7bn in deals, Ms Carol Hamilton, his press secretary, was depressed. As the popular choice to run President Bill Clinton's re-election campaign, Mr Brown was an *important* political target. Republicans, she said, would try to bring him down.

At the request of 14 Republican senators, Ms Janet Reno, US attorney-general, last week launched a 90-day preliminary investigation, which could lead to the appointment of an independent counsel to look into his affairs. This was an acknowledgement that there existed "specific allegations of wrongdoing from a credible source", she said.

Some of Mr Brown's financial arrangements appear, at the very least, peculiar. In his three-year partnership with Ms Hill in First International Communications Corporation, she was to run the investment firm and he was to be the "rainmaker" – the person who brought new business to the firm.

Mr Brown, it seems, never made much rain. The company's only asset, according to published reports, was a $12,000 monthly payment on a loan from another of Ms Hill's companies, Corridor Broadcasting, which in 1991 had defaulted on $40m in loans held by the Federal Deposit Insurance Corporation and the Resolution Trust Corporation. That same year, and the next, Corridor made almost $64,000 in contributions to the Democratic party, according to the New York Times.

Alleged to be perturbed by the scrutiny to which partners of cabinet officials are subject, Ms Hill bought Mr Brown's share of the business in 1993 for more than $400,000 (including payment of some debts). He had invested nothing in the company.

So what was the *quid pro quo*? Thus far, the sleuths in Congress and the press have turned up a lunch at the White House for Ms Hill, along with corporate leaders, and some work thrown to Corridor Broadcasting to make videotapes for the Democratic party's convention.

Investigators allege Mr Brown could have lied about his holdings during his confirmation hearings as secretary. He could have falsified his financial disclosure forms. He could have been part of a scheme to defraud the FDIC. How much Mr Brown knew about the linkages among Ms Hill's other business ventures will bear directly on the outcome.

Even without hard evidence of wrongdoing, it doesn't look good politically for Mr Brown, who is referring queries to a lawyer. He defended himself, to the Wall Street Journal, insisting that his business dealings had been "made to sound sinister" but were in fact no different to those of other prominent figures who lend their names to business ventures.

AMERICAN NEWS DIGEST

Sharp jump in Brazil's output

Brazil's industrial production in the second half of last year jumped 18.2 per cent from that of a year earlier, following the launch on July 1 of the country's new currency, the Real, which stabilised prices and speeded economic growth.

The government's IBGE statistics agency, releasing the provisional figure yesterday, said higher than expected year-end demand had led to record December industrial production. In private, many businessmen say output has remained well above expectations in the first weeks of this year, and the government is starting to worry about overheating in some *areas of the economy*.

Industrial production for the year as a whole grew 7.6 per cent, similar to the 7.5 per cent growth recorded in 1993.

Among sectors with the fastest levels of growth, IBGE highlighted the mechanical, electronics and consumer electronics industries. *Angus Foster, São Paulo*

Haitian call for elections

Four months after President Jean-Bertrand Aristide was restored to power in Haiti, the provisional electoral council yesterday called for general elections in June.

The first round of voting is to be held on June 4, with a second round for undecided parliamentary seats set for June 25, the council said. All 83 seats in the Chamber of Deputies and two-thirds of the 27 seats in the Senate will be contested, as well as nearly 2,200 state and local elected posts.

Father Aristide, after three years in exile through a military coup, was returned to power with the peaceful intervention of a US-led multinational force. *Reuter, Port-au-Prince*

US garment unions to merge

The two biggest garment industry unions in the US are to merge, in an effort meet the challenges of a global economy which has driven many of their jobs overseas.

The International Ladies' Garment Workers' Union (ILGWU) and the Amalgamated Clothing and Textile Workers' Union (ACTWU) said yesterday their merger would form one of the largest manufacturing unions in North America.

The merged union, to be called the Union of Needletrades, Industrial and Textile Employees (UNITE), will have 355,000 members in the US, Canada and Puerto Rico.

To launch the new union, UNITE will initiate an organising drive supported by $10m (£6.3m), the groups said in a statement. *Reuter, Bal Harbour, Florida*

Cuba seeks to pump more oil

Cuba is seeking to produce at least 1.4m tonnes of domestic crude oil this year, 100,000 tonnes more than in 1994, authorities said on yesterday.

The target was set at a meeting of the basic industries ministry, reported by the weekly trade union newspaper Trabajadores (Workers).

The newspaper noted that of domestic production last year, some 934,000 tonnes went for electricity production. Domestic oil was the source of 27 per cent of electricity production in Cuba, the newspaper added.

The Caribbean island's domestic crude is of a very heavy quality, with a high sulphur content, and is used mostly in electricity plants and cement manufacturing.

Cuba, its import capacity having been sharply reduced amid a domestic economic crisis, has been seeking to increase output of domestic crude. It produced 1.1m tonnes in 1993. *Reuter, Havana*

NEWS: UK EXPORT-LED RECOVERY

First steps on long march to competitiveness

By Gillian Tett and Michael Cassell

With exports surging to record levels, many companies are enjoying an unprecedented overseas sales boom. The government says this shows that British industry is becoming more competitive overseas. But can Britain really take credit for this sudden success? Or will the longer-term decline in Britain's share of world trade soon resume?

"Exports break all records," proclaims a delighted Department of Trade and Industry as it watches the swelling tide of overseas sales lift Britain's trading performance.

With the value of exports up by an estimated 15 per cent last year – at £12.1bn the November total was the highest yet recorded for any month – ministers can claim to have grounds for optimism.

From coal-powered boilers for China to revolutionary earthquake protection materials for Japan, British companies are notching up sales around the world. Machine tool exports are rocketing while the domestic market shows only modest recovery: car productions continued strong rise is wholly driven by overseas business.

But could the buoyant picture merely represent another false dawn for the economy? Although exports last year provided one the main motors of recovery, the nation is still running a sizeable trade gap. The government claims growth will continue this year, but there are warnings from the City that the boom could already be slowing.

Mr Michael Heseltine, trade and industry secretary, who has worked since 1992 to turn his department into a "minimum-cost, maximum impact" trade promotion organisation, is predictably optimistic. He believes a new culture of competitiveness is catching on in manufacturing and starting to pay off.

But he is also the first to sound a note of caution after 100 years of relative industrial decline.

"The competitiveness gap between the UK and other major economies opened up over the best part of a century. Despite some recent improvement, it still exists and there is no short cut to eliminating it. We still have a long tail of underperforming companies," he says.

To put the challenge in perspective, Britain will have to make an extra £90bn of overseas sales by 2000 if it is to raise its 1993 share of world trade from 4.8 per cent to 5.8 per cent. To achieve such a target, UK export performance will have to exceed that of Japan over the past 14 years.

There is, in any case, disagreement about how much credit UK industry can actually take for the upturn in export growth – not least because economists remain divided about the real reasons behind the recent boom.

The figures appear startling. In the three months to last November the value of UK exports excluding oil and erratics – the best indicator of the trend – were running 14 per cent higher than the same period a year ago.

Some of this was due to a 2 per cent rise in export prices during the year. But most of the increase reflected a genuine rise in the level of goods sold overseas, with volumes growing 15 per cent.

Although this growth seems significant, pessimists in the City argue most of it is explained by two specific factors. The first is the 1992 devaluation of sterling, which, like earlier devaluations, left exporters enjoying a short-term competitive advantage – an edge which may have been temporarily boosted further by sterling's slump against the D-Mark last week.

Mr Leo Doyle, UK economist at Kleinwort Benson, says: "This export growth is not exceptional by historical standards. After we devalued in 1967 and in the middle of the 1970s we also saw a big surge in growth." He predicts that as the competitive advantage fades, export growth should slow significantly this year.

The second factor has been the last year's surge in world growth. While the US economy has grown rapidly and new areas such as south-east Asia have emerged as major markets, Europe is also out of recession.

As Mr Bill Martin, chief economist at UBS, says: "Last year's exports growth was a major surprise, partly because nobody thought Europe would grow as fast as it did."

"But industry is likely to lose its competitive edge now and face mounting capacity problems," he adds. He estimates that capacity pressures in the UK are now as high as the 1960s peaks. Meanwhile, the recent rise in UK factory prices suggests that some companies are now less willing to provide competitive prices to their customers.

Furthermore, as City pessimists point out, Britain's export boom is not unique. Germany, for example, is estimated by the Organisation of Economic Co-operation and Development to have had 7.9 per cent growth in exports of goods and services last year. Spain and Italy, which have benefited from devaluation, recorded estimated growth of 17 per cent and 9.6 per cent respectively.

But although these factors leave most economists arguing that British industry cannot take all the credit for the export boom, devaluation and world growth may not tell the full story.

For while exporters have enjoyed an unusually favourable set of circumstances, many industry groups also believe that more radical changes have been under way.

First, the recent recession not only forced many companies to seek markets overseas, but also triggered a more general growth in competitiveness, says Mr Richard Brown, deputy director-general of the British Chambers of Commerce.

"Faced with weak domestic demand, companies realised that they simply had to export to survive," says Mr Brown, who argues this export surge is now involving many mid-sized and smaller companies which have traditionally shied away from export markets.

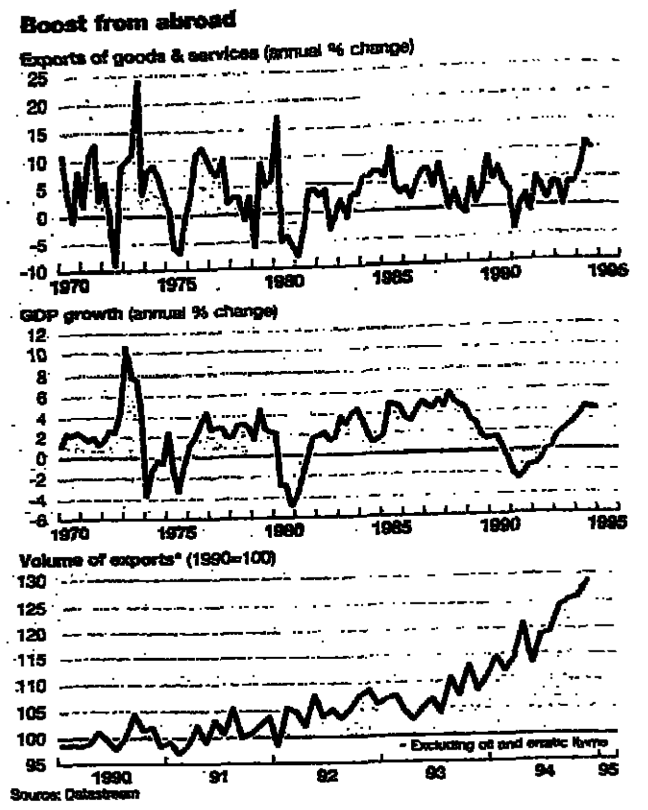
The Department of Trade and Industry claims some of the credit for encouraging newcomers into the export market with its revamped support mechanisms intended to make even the smallest business more confident about venturing overseas. On a recent Concorde-flown trade mission to India, for example, more than two-thirds of passengers represented UK companies with fewer than 30 employees.

Nevertheless, other economists believe that another reason for the growth lies not in the efforts of small British companies – but rather in the recent surge of investment by foreign companies wishing to use the UK as a production base for the European market.

Mr Kevin Gardiner, UK economist at Morgan Stanley, says that even though export growth is likely to slow this year, the economic changes that have occured since the mid-1980s in the UK should create a longer term upward export trend.

But, even as he made his prediction, a survey of 1,000 companies reported that more than a third of them already expected to shed export business to meet rising domestic demand – an attitude which places a question mark over the commitment of UK business to maintain overseas sales.

The Institute of Export has warned that Britain cannot afford to view exporting as a "bolt-on" activity to be pursued when home markets are weak. The months ahead will tell if the message is getting across.



Distillers plan long campaign in Asia's bars

By Roderick Oram, Consumer Industries Editor

Few manufacturers have a greater need to export than Scotch whisky distillers. With home consumption accounting for barely 10 per cent of their output, they have to sell the rest – worth more than £2bn a year – around the world.

But problems abound with half those exports: continental European sales are flat in spite of strong growth in southern countries; sales in the US have fallen about 60 per cent in 15 years and recovery will come only if younger drinkers are converted to whisky.

Given those challenges, the industry sees the emerging economies of eastern Europe, the former Soviet Union and the Far East as its best bet for future prosperity.

"Those markets could take 20 per cent to 25 per cent of world Scotch sales within 10 years," says Mr David Jarvis, chief executive of Allied Domecq Spirits and Wines. Whisky's strength is its image as "an aspirational product, a taste of the good life".

Guinness, for example, talks of China as a potential market for 20m cases of spirits a year. The bulk of that will likely be cognac for historic and cultural reasons, although a quarter of it could be whisky. But it will be a long haul.

Today, China's population of 1.2bn consumes about 225,000 bottles of Scotch – less than 20,000 cases – per annum, the same as the 28,000 people of Stirling.

With dozens of countries experiencing economic liberalisation, skill in identifying where to concentrate marketing resources will be one of the keys to success.

"A rifle shot might miss the right ones," says Mr David Maxwell-Scott, managing director of J&B, the Scotch division of IDV, Grand Metropolitan's spirits business. "You have to develop a basket of markets based on your own criteria."

J&B's criteria range from the quantifiable, such as size of population and volume of disposable income, to more indefinable cultural qualities. India, for example, is well-disposed to Scotch, whereas Russia is seen as largely a vodka or gin market.

Mr Maxwell-Scott says that "socialising cultures where people go out at night" is another valuable criterion. "Young, emerging middle-class consumers pick up their habits in bars and restaurants." Former Communist countries, which often score poorly on this, are developing their nightlife at quite different rates. The Russians are far behind the Chinese, for example.

Targeting bars, nightclubs and restaurants is one of the classic market-building strategies for drinks companies – even in mature European markets. It is easier to establish a brand's image in such public places than in homes via advertising.

For all the opportunities, distillers accept the difficulties will be great. Boom-and-bust economies, political instability, uncertain transport and distribution and under-developed media are but a few of them.

There is also the threat of domestic competitors. Whisky salesmen may say the only thing their product has in common with, say, Indian whisky is the "regrettable" overlap of names – but there is no denying the latter's success. Bagpiper is the largest brand of Indian whisky and the 16th largest global spirits brand, says Impact International, the trade magazine. Only Johnny Walker Red, J&B Rare and Ballantine's Scotch rank higher.

Moreover, Bagpiper volume has grown at an average rate of 20 per cent a year through the 1990s. Bagpiper sells in India for about $4 a bottle, about one-seventh the price of an imported Scotch. What price aspiration?

A case for the marketing people: whisky manufacturers need to build brands among populations of young potential drinkers

Japanese see hope for future in Britain

By Andrew Baxter

On an industrial estate in Worcester, executives at one of the most important inward investments by a Japanese engineering company are planning the next stage in its export-led development.

Yamazaki Machinery, the UK unit of Yamazaki Mazak, the Japanese machine tools producer, has applied for planning permission for an expansion that would add a minimum of 30 per cent to manufacturing capacity.

A similar rise in manufacturing jobs, currently about 240, is likely if the plans are approved. Construction could begin in two to three months, and the extension could be operating by the end of the year.

"We want to build on our performance over the past eight years, which gives us the confidence to justify the new investment," says Dr John Maund, Yamazaki Machinery's deputy managing director.

Yamazaki has been in Britain since 1981, when it set up a sales and technical support centre in Worcester. Six years later, in the biggest investment in Europe by a Japanese machine tool producer, it began production from a new plant – one of the world's most advanced flexible manufacturing operations.

The £35m investment was geared towards exports from the beginning. "The domestic market would never have justified a project of that size," says Dr Maund.

Yamazaki needed a production site in the European Union, and wanted it in a country with a strong machine tool tradition and supplier base. That might have suggested Germany, but Yamazaki, along with many Japanese companies, preferred to work in English-speaking countries.

Since 1987, Yamazaki Machinery's annual sales have grown to about £65m, and the company claims to account for one third of all exports of computer numerically controlled (CNC) lathes and machining centres – multi-function machine tools. About 85 per cent of its products are exported.

While Yamazaki believes its "made in Britain" policy has been a success, Dr Maund says it would be silly to suggest that there have been no problems. During the recession, which caused only about 20 job cuts in production at Yamazaki, the company had to work very closely with some of its suppliers to help them through.

The pattern of exports has changed as the model range produced at Worcester has expanded. In 1989 the company was manufacturing three models, which were exported to 11 countries, primarily in continental Europe.

Last year it was making 16 models for export to 26 countries in North America, the Far East and South America, as well as Europe. The unit has become a crucial part of Yamazaki's global manufacturing strategy, and there are plans for further new models.

Small companies seek to share in success

By James Harding

When SMD (Midlands), a mining equipment manufacturer employing 15 people, was rescued from receivership less than 12 months ago, it sold almost nothing overseas.

This week, the company's chief executive returns from a business trip to India, a member of staff heads off on a marketing mission to France and the general manager is expecting to hear about an £80,000 order from a German customer.

A manufacturer of specialised chains for overhead conveyors, SMD used to sell the majority of its products to British Coal. But faced with shrinking UK order books, the company has as much been driven abroad as lured to exporting by opportunities overseas.

Having found niche markets in Europe, it now hopes in the longer term to find buyers in Asia. With export orders likely to make up nearly half the company's sales this year, the company is planning to take on more staff.

The pattern of SMD's expansion abroad offers a model that increasing numbers of small and medium-sized companies are hoping to emulate. But with companies employing between 10 and 200 people traditionally only indirect beneficiaries of export growth, there are questions over how successful small and medium-sized companies can be when it comes to exporting directly.

According to the CBI's most recent monthly survey, smaller manufacturing companies are seeing the sharpest increase in export orders for 10 years. Companies employing fewer than 200 people also expect the rising orders to continue, although at a slower pace, well into the second quarter.

However, confidence that small and medium-sized enterprises (SMEs) are maximising export opportunities is by no means unanimous.

Professor David Storey, head of the SME centre at Warwick University, says there has been little change in small companies' contribution to exports. "There has not been a huge increase in direct exports for SMEs, but there has been an increase in demand for output from smaller companies as large firms increase their export orders."

The exception revealed from surveys of SMEs in the Midlands is the manufacturing sector, which, he says, "is very buoyed up on prospects overseas."

The view that SMEs are yet to become confident exporters is reflected in the initial findings of the annual European Business Survey, conducted by Grant Thornton, business consultants.

The report shows that British SMEs are more optimistic than their European competitors when it comes to sales for 1995, but less confident than EU businesses about their export prospects. Nearly 70 per cent of UK businesses forecast increases in turnover this year, but only 22 per cent predicted growth in exports. Over 30 per cent of European companies forecast rising exports for 1995.

According to a survey by Binder Hamlyn, the chartered accountants, of UK private companies with turnovers of between £2.5m and £25m, only 11 per cent of their 1993 sales was exported. In 1988, the figure was 8.7 per cent.

● The DTI has launched a "Begin in Benelux" export campaign, believing that once started in Belgium, Luxembourg and the Netherlands, small and medium-sized companies will become committed exporters.

Change of tactics urged to keep up with rivals

By James Harding

The volume of UK exports has doubled over the past decade but many manufacturers have been slow off the mark in penetrating emerging markets and developing new products.

For many businesses, it has been a matter of selling more of the same to the same customers.

As in previous export surges, established companies selling to historically favoured markets for UK goods have driven the recovery. The unequivocal message from successful exporters is that, once established, British products maintain strong reputations in competitive markets.

But that is not going to be enough. Exporters are going to have to become more adventurous in what is already a high-risk exercise.

Mr John Crampton, a partner at Ernst and Young who helped compile a recent CBI survey on UK exporting, argues that British companies will "need to change tactics" to stay ahead.

"The US, Germany and Japan are laps ahead of the rest in the export race. Fundamental change in the way UK businesses approach international markets is needed to ensure they remain competitive," he says. The report recommends strategies for opening, developing and consolidating new markets, product innovation and greater attention to marketing in order to improve competitiveness.

The Department of Trade and Industry has established an export promotion team to help improve Britain's penetration of important markets by providing sales staff recruited from the private sector to assist the sales effort. But the CBI report demonstrates the scale of the challenge in claiming that UK businesses have so far made inroads into only 11 of the government's 80 targeted markets.

Of the £120.9bn worth of visible UK exports in 1993, compared with £60.7bn in 1983, the overwhelming majority went to Europe and the US. The UK's reliance on European markets increased, with the EU taking 53 per cent of all British exports, up from 46 per cent 10 years previously.

The distribution of UK exports, compiled for the British Overseas Trade Board, shows sales to the US slipped from 16 per cent of global sales in 1983 to 14 per cent in 1993, the last full year offering a profile of global trade.

Exports to the Middle East and north African markets have also fallen, from 11 per cent of the total in 1983 to just 8 per cent in 1993. It has also been the only region not to lift demand in recent months.

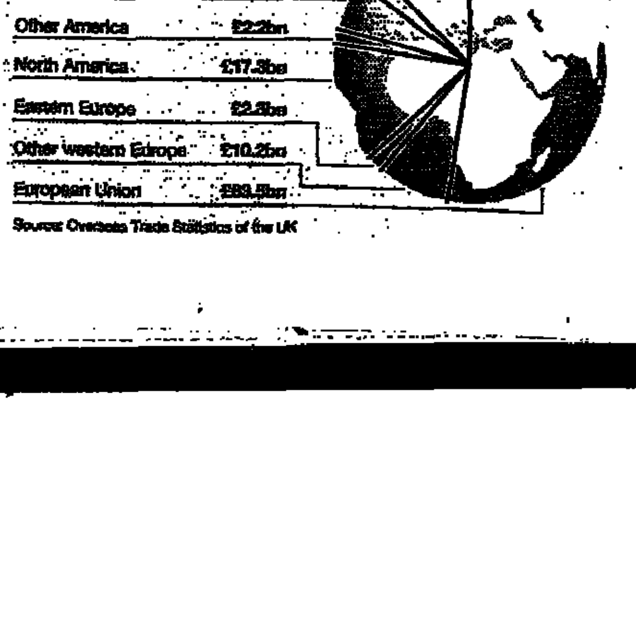
The slide in America has been compensated for by an increase in exports to Asia-Pacific countries, which took 12 per cent of British exports in 1993, up from 9 per cent a decade earlier.

Analysis of the types of goods being sold abroad shows the continuing core contribution made to exporting by British manufacturing industry.

Manufactured goods, machinery and transport equipment contributed £35.2bn to the balance of trade in 1993, just over 70 per cent of the UK's total visible exports for the year.

The leading manufacturing exports by sector were electronic equipment, including telecommunications, computers and audio-visual equipment, followed by mechanical engineering, motor vehicles and aerospace, according to the Central Statistical Office.

The other sector winner has been the chemicals industry, which has increased its share of UK visible exports from 11.4 per cent in 1983 to 14.6 per cent in 1993.



Belgian chocolates to Belgium

By Michael Cassell

Mr Ken Ball makes 225,000 Belgian chocolates a week in Ipswich and now he is selling some of them back to Belgium.

"We used to send over an empty truck to collect the basic ingredients but now it goes out loaded with chocolates," he says.

The latest consignment for Belgium, worth about £5,000, comprises novelty lines such as ducks and rabbits which the masters of chocolate production have not got round to producing for themselves.

Mr Ball, owner-director of Bellina, is modest about his small company's achievements in selling 80 varieties of quality chocolates – all but the sugar having been imported from Belgium first – to Continental markets.

But his endeavours are being hailed by the Department of Trade and Industry as an example of what is possible and what increasing numbers of UK companies will have to do if they are to survive.

As part of its energetic export promotion programme, the department has just launched a campaign to encourage small and medium-sized companies thinking of exporting for the first time to choose the Benelux countries in which to start. Bellina, it says, offers a tempting taste of what can be done.

Mr Ball's wife Jennett was responsible for starting the business in 1983 when she opened a shop selling Belgian chocolates. By 1986, supply problems had encouraged the couple, with the help of family members, to start their own production line in Ipswich and to open more shops and negotiate further retail franchises.

The arrival of the single market at the end of 1992 prompted Bellina to consider other European markets for the first time and the company enlisted the help of the DTI in pursuing contacts. Visits were made to meet importers and wholesalers and to identify the scale and nature of the market.

A decision was taken to give the Continent a try and now the company is selling to the Netherlands and France, as well as Belgium. Company turnover is about £800,000 – including £100,000 in newly created exports.

There are 40 production people in Ipswich turning out everything from strawberry creams to best-selling champagne truffles. The company tells its customers it makes its chocolates "in Ipswich in the Belgian style", although a limited proportion are still made for it in Belgium.

The chocolate-making machinery at Ipswich, which was mostly imported from the Netherlands and Belgium, is operating 24 hours a day, five days a week.

Mr Ball, who last year took advantage of a DTI programme to help him sell on the Continent – which included a grant-aided course in language tuition – is preparing to expand his business further, although plans about to come to fruition remain confidential.

Although there are plenty of Continental taste buds left to cater to, Bellina plans to concentrate on those markets where it has already established sales, says Mr Ball: "It may be tempting to add new markets to the list but first we intend to consolidate in those we know best."

He is already knocking one country off his list. The task of selling to the Continent is tough enough, without having to cope with people who refuse to pay. He is fed up with the payment record of Spanish customers, which he describes as "a joke".

Spain, it seems, will in future have to get its Belgian chocolates from Belgium.

Bank chairman's bonus criticised

By John Gapper, Banking Editor

Lord Alexander, chairman of National Westminster Bank, is likely to receive a performance-related pay bonus of about £100,000 for 1994 under a pay contract that was yesterday criticised by Mr Gordon Brown, the opposition Labour party's shadow chancellor.

NatWest, which is expected to announce this morning that it made pre-tax profits of about £1.5bn last year, has just made a pay offer to its 55,000 branch banking staff under which some would receive no basic pay increase this year.

Lord Alexander's one-year contract, to be disclosed in the annual report at the end of March, entitles him for the first time to a bonus in line with executive directors. This would have been 35.5 per cent of basic salary in 1993.

The bank is also likely to be criticised by unions over the contract, which raised Lord Alexander's basic salary to £304,000 last year. His bonus could be higher than 35 per cent because of the rise in NatWest's profits last year.

Mr Brown said the bonus showed executives of privatised utilities "are not alone in granting themselves large pay increases." He claimed that bank customers would be "surprised and disappointed" by Lord Alexander's pay package. The bank emphasised that Lord Alexander works full-time for the bank despite being a non-executive chairman. It said that his "role at the centre of the group" was reflected in his contract, which began on April 1 last year.

Lord Alexander and 20 NatWest executives may also receive free shares in three years' time in addition to share option entitlements. NatWest has introduced a scheme intended to reward executives with shares if it meets targets.

In 1993, Lord Alexander received basic pay of £288,875 and total remuneration of £662,157, including £57,625 paid to a private pension scheme.

A sum equivalent to 20 per cent of his annual salary was paid to his pension scheme last year.

Mr Brown's attack on Lord Alexander's remuneration follows Labour criticism of banks for not passing on benefits to customers from profit rises. Labour also wants companies to seek shareholder approval for executive pay schemes.

NatWest has just made a pay offer to 55,000 branch banking employees under which some will receive no basic pay increase and others will receive a basic pay rise lower than the current 2.9 per cent rate of inflation.

NatWest Indian move, Page 22

Iraq trade team to be investigated

By Jimmy Burns

Britain's Department of Trade and Industry is investigating a possible breach of sanctions by the organisers of a UK trade delegation to Iraq.

Officials have confirmed that the investigation is focusing on the activities of Mr Stephen Crouch and Mr Edmund Sykes, director and secretary of the Iraqi British Interests (IBI) Group, a commercial lobby unit.

Mr Crouch and Mr Sykes have in recent months been pursuing contacts with Iraqi officials in preparation for a visit to Baghdad this week by some 20 UK companies.

Under UK legislation governing relations with Iraq, UK citizens are free to travel to Baghdad but must first obtain a communication licence from the department if they wish to trade or discuss trade. The present UN sanctions regime trade with Iraq is restricted to food, medicines, and other essential humanitarian goods.

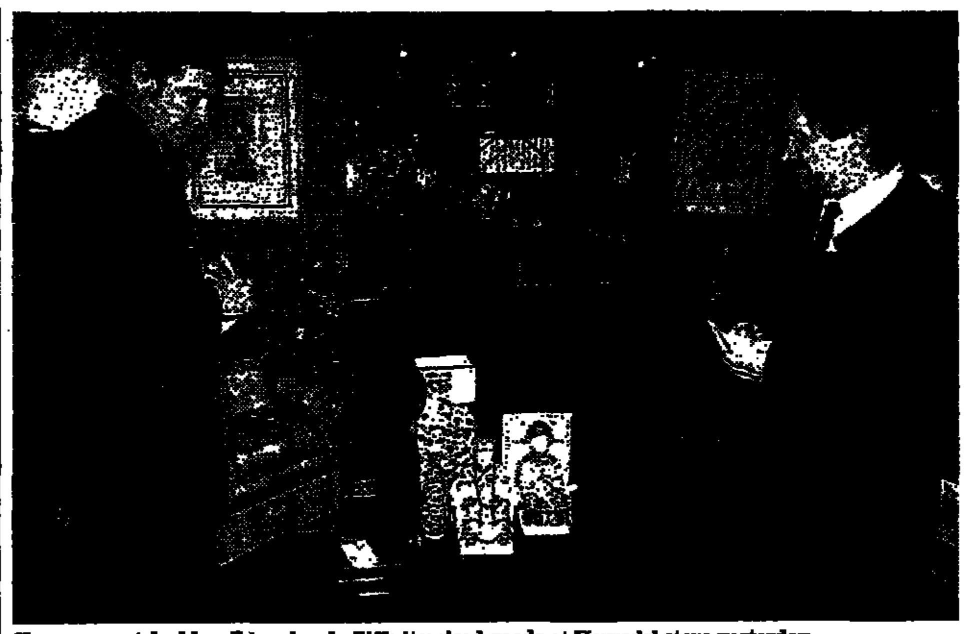
While communication licences are thought to have been issued by the department to the companies on the delegation, no such licences have been issued to the organisers, according to government officials.

Concern about the IBI Group has been heightened amid signs that the Iraqi regime is moving to exploit the visit for propaganda purposes. In an open letter published this week, the state-run Baghdad Observer praised the "courageous move" by British businessmen and said their visit was a sign that the UN stand on sanctions was crumbling.

Mr Crouch told a meeting of UK businessmen in London last month that the the IBI group was in a key position to encourage UK trade with Iraq. "We have unique access to all the ministries," he said.

Last September, Mr Crouch was in Amman with Mr Henry Bellingham, parliamentary private secretary to Mr Malcolm Rifkind, the defence minister. Mr Bellingham said his visit was "private" and that he met Iraqi officials with Mr Crouch at a social function.

DTI and foreign office ministers have been under increasing pressure from MPs and human rights organisations to clarify the government's position regarding the IBI.



Shoppers watched bewildered as bailiffs itemised goods at Harrods' store yesterday Eyeoatchers

Top people's store in school name row

Bailiffs yesterday entered Harrods, the famous west London department store, to serve a writ for £130,000 ($202,800) it owes in legal costs to a local preparatory school, John Authers writes.

The bailiffs also earmarked goods to the value of the bill – including eight Chesterfield suites worth £6,000 each – to be seized if necessary.

The Harrods store had unsuccessfully attempted to force the Harrodian school, opened in 1993 in the store's old staff club building in Barnes, south west London, to change its name.

The High Court ruled last May that the school and its founder Sir Alford Houstoun-Boswall were not trying to cash in on the reputation of the store, which had not sold goods or services under the name Harrodian since the 1940s.

Harrods has lodged an appeal and has not yet paid the legal costs to the school, whose annual fee income is about £600,000. It dismissed the bailiffs' visit as "an outrageous piece of opportunism" in a search for publicity.

UK NEWS DIGEST

Derailment hits channel train service

A Channel tunnel freight shuttle train was partially derailed yesterday as it entered the tunnel at Folkestone in Kent.

Eurotunnel said nobody was hurt in the incident and the train remained upright but one of the tunnel's two tracks was blocked, disrupting traffic for several hours.

This is the first time that an incident has occurred involving a train in the tunnel, but there has been a series of mishaps to trains using the tunnel rail network.

The locomotive of the train involved in yesterday's incident had just entered the tunnel when an empty carriage towards the rear went off the rails. Train staff uncoupled carriages in the middle of the train allowing the front locomotive and 14 carriages, each carrying one truck, to go on to France. The rear section of the train, with 14 carriages but only three trucks was brought back to the Folkestone terminal. Truck drivers, who travel in a special club car at the front of the train did not have to leave the train.

Eurotunnel said an investigation would be carried out but it could not immediately say what the cause of the derailment.
Charles Batchelor, Transport Correspondent

Former BCCI staff in 'stigma' court move

Former employees of the collapsed Bank of Credit and Commerce International will today ask the Court of Appeal to recognise that they can claim compensation because the bank's bad reputation stops them getting new jobs.

According to leading employment lawyers the claim for "stigma compensation", if successful, could prove to be a landmark, although each individual case would still have to be proved on its merits.

The original case was dismissed by the High Court last year and is being strongly resisted by the liquidators to the bank, the accountants Touche Ross. If successful any claim would be made against the assets recovered by the liquidators.

The bank crashed in 1991 with debts of $10bn and 1,200 people on the payroll in the UK. The BCCI Campaign Committee, which claims to represent the workforce and has won legal aid for the appeal, says 600 are still without jobs.
Jim Kelly, Accountancy Correspondent

Computer ownership seen rising rapidly

One in seven households in Britain, or 3.3m in total, owned at least one computer at the end of September, and the number is growing by 3,250 a day, says research from GfK Marketing Services. GfK's quarterly survey showed that almost 1.2m homes had acquired a computer in the previous 12 months.

The survey also confirms that an increasing proportion of the new PCs bought for use in the home are top-of-the-range multimedia computers equipped with CD-Rom drives. Multimedia machines accounted for 32 per cent of purchases in the six months to the end of September. *Paul Taylor*

Approval granted for genetic food products

The British government has given formal safety approval for three foods made from genetically engineered plants. They are tomato paste from Zeneca of the UK, rapeseed oil from Plant Genetic Systems of Belgium and soya bean extract from Monsanto of the US.

The Ministry of Agriculture said the foods would not have to be specially identified for shoppers, but manufacturers would be encouraged to provide informative labelling on a voluntary basis. Zeneca's tomato paste – expected to be the first genetically engineered food on the UK market – will be labelled in this way. *Clive Cookson, Science Editor*

Airline to fold: Euro Direct Airlines, based in Slough, near London's Heathrow airport, is to cease operations on Sunday with the loss of 160 jobs. The company blamed high costs for the failure after just 10 months in business and said all passengers who booked after Sunday would get their money back. The company operated from Bournemouth, Stansted, Exeter and Humberside airports to destinations included Paris, Brussels and Hamburg.

Holiday companies revise view: UK tour operators are revising bullish predictions made last month for summer package holiday sales in the face of sluggish demand and rising costs. Thomson, the largest tour operator with 30 per cent of the the market, says that it had been predicting sales growth of about 10 per cent this year compared with 1994, but is now predicting 5 per cent.

Airtours, the second-largest operator, said it had thought the market would grow by up to 5 per cent this year. It now believes that the figure will be nearer zero than 5 per cent.

Last year was exceptionally good for the industry. There were 11.42m summer package holidaymakers last year compared to 9.89m in 1993 and 9.22m in 1992, according to the Civil Aviation Authority.

Abu Dhabi set to relaunch failed Scots hospital

By James Buxton, Scottish Correspondent

Health Care International, the private hospital at Clydebank in Scotland, which went into receivership in November only eight months after it opened, is being relaunched under the ownership of the state-owned Abu Dhabi Investment Company.

The Abu Dhabi company yesterday purchased the business and equipment of HCI from receivers Arthur Andersen and agreed to lease the hospital building and its adjoining hotel from the syndicate of banks which helped fund the original venture. The Abu Dhabi company will have an option to purchase these assets from the banking syndicate.

With uncertainty over the future of the hospital removed, HCI hopes to fulfil the original project to operate a hospital specialising in complex medical treatments which it will market to patients in the Middle East, southern Europe and Africa.

HCI went into receivership after Crédit Lyonnais, a member of the banking syndicate which had lent HCI £80m ($125.6m), refused to advance more finance to solve a cashflow crisis resulting from a slow build-up of patient numbers.

The price being paid by the Abu Dhabi company is not being revealed. It is contributing capital of £20m to the new company which will own HCI.

The hospital has continued operating during receivership and made only about 50 of the original 425 staff redundant. The Abu Dhabi company, which took a small stake in HCI two years ago, has helped meet HCI's operating costs since receiving exclusive negotiating rights in early January.

HCI has been treating patients from outside the UK as well as those referred by hospitals in Britain's state health service. However, late last week there were only 20 patients in the 275-bed facility. Mr Colin Edwards, manager of the Abu Dhabi company's projects department, said this was due to uncertainty about the medium-term future of the hospitals.

HCI expects to increase staff to 600 by the end of the year, eventually reaching the original target of 1,800 jobs. Patient number targets are not being disclosed.

HCI cost £180m to build and equip. About £30m of that was equity and £30m came from the public sector in grants, loans and equity. Some £4.4m of regional selective assistance will be available to HCI provided it creates the promised number of jobs.

Although states such as Abu Dhabi have built sophisticated hospitals, these do not handle enough complex cases to justify retaining medical teams of HCI's type, Mr Edwards said.

Dr Larry Hollier, chief of HCI's medical staff, said HCI would step up marketing in the Gulf states, Turkey, Egypt, Greece, Nigeria, Algeria and Italy.

'Feel-bad' factor hits consumer confidence

By Peter Norman, Economics Editor

The "feel-bad" factor in the British economy has hit consumers after a brief post-Christmas boost, with confidence deteriorating sharply this month, according to the latest Gallup survey.

The poll, carried out for the European Commission, shows a sharp drop in expectations about general economic developments so far this year, possibly triggered by the recent rise in bank base rates. Although there was only a slight worsening in the way people assessed their own financial positions, pessimism about prices and unemployment over the next 12 months ran much deeper.

When asked how the general economic situation would develop over the next 12 months, 37 per cent of the 2,161 adults polled between February 1 and 4 said they expected it to worsen, compared with 31 per cent in January.

Only 23 per cent said they thought it would improve, against 27 per cent in January, leaving a negative net balance of 14 per cent this month. This indicated greater pessimism than January's negative net balance of 4 per cent, but less gloom than December's minus 20 per cent result.

The February poll coincided with the most recent half percentage point increase in bank base rates to 6.75 per cent, while December's gloom may have mirrored an earlier half-point interest rate rise and mini-budget excise duty increases.

Consumer confidence often perks up in January only to fade in later months. Mr Graham Williams, a Gallup research executive, said it would take until April to assess whether February's downturn in confidence reflected this seasonal pattern.

Although people were generally pessimistic about their own financial prospects, they were only slightly more gloomy than in recent months.

Car dealers are told there are far too many of them

By John Griffiths

FT *Conferences*

About a third of the UK's 7,000 franchised dealerships need to disappear if car retailing and servicing is to offer a viable return on investment, Sir Trevor Chinn, chairman and chief executive of the country's largest dealer group, said yesterday. His Lex Service group controls 120 car dealerships in the UK as well as outlets in California and France.

Continuing over-capacity in car production would produce a "fiercely competitive climate for the foreseeable future", he said at the Financial Times Motor Conference in London.

Mr Neil Mullineux, an industry analyst and consultant with Bowfell Research Associates, said at the conference that three-quarters of Europe's 100,000 car dealers would have to disappear if the US average of 500 car sales a year per outlet were to be achieved. "In the next ten years the number of dealers will probably fall by half to 40,000 or 50,000."

He produced statistics showing that north American car dealers on average sell at least four times as many cars per outlet as their European counterparts. Sir Trevor said dealer problems were increased by carmakers "destabilising" the market through heavy direct sales to fleets. Greater car reliability and durability had severely reduced service and repair business, traditionally a dealership's main profit centres.

Research showed that consumers were prepared to travel 25 miles to buy a car, but only 10 miles to have it serviced. "This leads to the logical conclusion that the dealer network should be structured with a smaller number of easily accessible car showrooms and a series of local satellite service centres," he said.

Sir Trevor was commenting on the future for car retailing after the European Commission's "block exemption" for the trade from EU competition rules is renewed in June.

The current exemption, which is about to expire, allows carmakers to operate networks of selective and exclusively franchised dealers on the grounds that cars have strong safety considerations, thus requiring specialised distribution and after-sales networks. The revised EU exemption is expected partly to remedy dealer complaints that the current rules are too biased towards manufacturers, restricting dealers' ability to sell aggressively, for example by setting up multi-franchise operations.

Both Sir Trevor and Mr Mullineux said economic and competitive pressures would create upheavals for dealers irrespective of new EU rules.

Besieged PM weighs lurch to the right

The changing nature of the Conservative party has left John Major vulnerable, writes **Philip Stephens**

Listen to the drumbeat from the Tory right. Salvation lies in your hands, Mr Major. Tell Brussels to get stuffed; knock 5p off the basic rate of income tax before the election; get the scroungers off benefit; lock up the hooligans: keep out the immigrants; tell Brussels to get stuffed. If Kenneth Clarke doesn't like it, sack him. Your leadership will be safe. Our people will come flooding back. You might even win the election. The handover to the right's heir-apparent Michael Portillo can be at a time of your choosing not of his.

It is a tune heard not only from the irreconcilables on the back benches at Westminster. There are echoes now from the party in the country. In different times the Europhobic MPs who have deprived the government of its majority at Westminster would have been pariahs. Their local associations would have offered a simple choice: loyalty to the government or deselection. But the centre of gravity in the Conservative party has shifted. Ideology now ranks ahead of loyalty. So the nine rebels exult in their excommunication. They are the victims. It is the prime minister who must repent.

No-one could blame as desperate a leader as Mr Major for listening. He has tried everything else. The odds are that his administration is doomed whatever. If nothing else, a lurch to the right would protect the prime minister from the very real threat of a leadership challenge in the autumn. But the escape route offered by his enemies is a cruel illusion. It would turn the probability into the certainty of defeat at the next election.

That the government is disintegrating under the weight of its own divisions is no longer denied even by those who sit around the cabinet table. There are still some, foreign secretary Douglas Hurd among them, who will tell you that the game is not lost. The foreign secretary has spent the past five years patching up divisions in the cabinet over Europe. But Mr Hurd's skilful compromises no longer hold beyond a few days or weeks. Europe has become the Bosnia of this government. Each truce is no more than a chance for warring factions to re-arm; neither side cares too much about what will be left when they have fought each other to a standstill.

The malaise stretches well beyond the cabinet and the government. The factionalism at the top is a symptom and a cause of a much deeper decay. Membership of the Conservative party nationally has been haemorrhaging. As its disillusioned supporters depart, the character of the party is changing. The common sense of the half-committed is being replaced in the constituencies by ideological fervour.

The curious structure of the party – it comprises a series of voluntary associations over which the national organisation has only limited control – means there are no precise statistics. But it is widely agreed that during the 1950s the party could claim between 2.5m and 3m members. By the mid1970s the number had fallen by half to around 1.5m. Mrs Margaret Thatcher may have managed to slow the rate of decline during the mid 1980s but she failed to reverse it. Over the past two or three years it has accelerated. The best, unpublished, guess of officials at Conservative Central Office puts the number now at well below 500,000. That errs on the side of optimism.

Talk to the average Tory MP and the story is much worse. Local recruitment and fund-raising have collapsed. The progressive decline of the party's base in local government – it has lost a third of its council seats during the past decade – has deprived it of the locally-ambitious. The solid citizens who once aspired to lead the district council are better off now signing up for the centrist Liberal Democrats.

The obvious parallel is with the Labour government of the late 1970s. The left blamed the unpopularity of Mr James Callaghan's administration not on the arrogance of the trade unions or on the divisions within the cabinet and parliamentary party. No, the problem was that he did not listen to the party's grassroots. Salvation lay in wholesale nationalisation, in withdrawal from the Common Market, in unilateral nuclear disarmament, in transfer to the unions of the levers of economic power.

So it is for the simple ideologues of modern Conservatism. From their perspective,

John Major: the EU has become his government's Bosnia

Mr Major's mistake, like Mr Callaghan's, has been to fight for the political centre ground. If he wants to secure his own position the prime minister has time, but not much, to rediscover the path of virtue and embrace the policies of the Tory right.

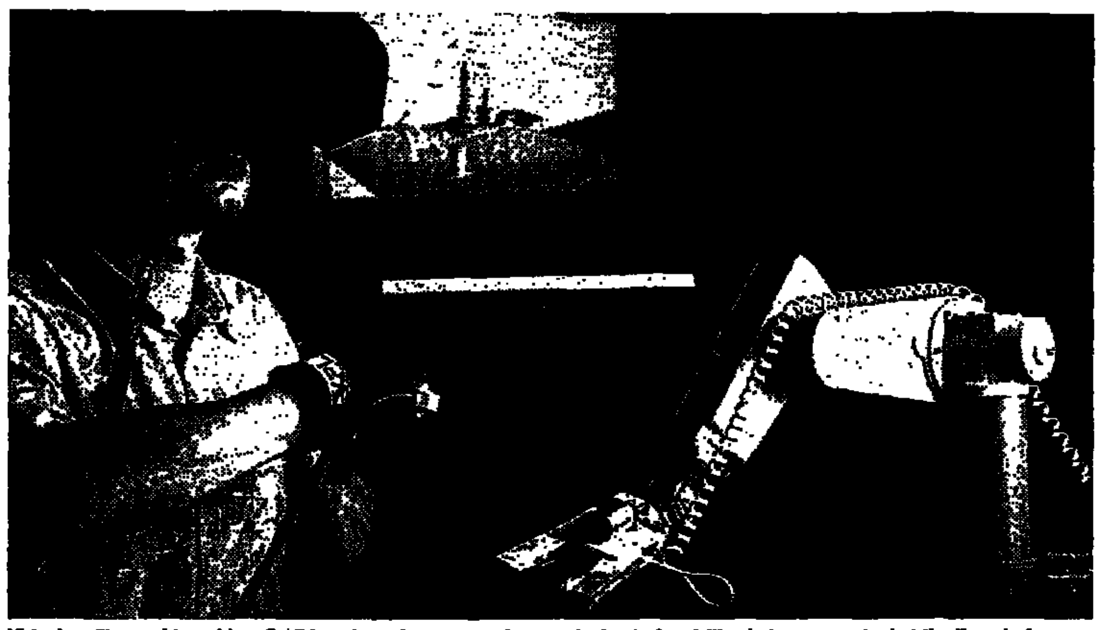
The reality is that the more secure Mr Major feels with his enemies on the Tory right the less chance the government has of staging a broader political recovery. Ideology now is more important than power for many Conservatives. Many on the left wanted Labour to lose in 1979 so that the leadership could be cleansed of its moderates. The Tory Europhobes think in similar terms. Labour has spent the past 16 years struggling to free itself from the stranglehold of the left which followed the 1979 defeat.

Mr Tony Blair's decision to abolish Clause IV of the Labour party constitution is the symbol of Labour's recognition of a basic truth: that winning elections is only possible when parties reach out beyond their natural supporters. The Conservatives used to take it for granted. If they forget it now they will be out of office for a generation.

TECHNOLOGY

Industry and science need to co-operate more if Germany is to keep its lead, says **Andrew Fisher**

Collaboration at the Fraunhofer



Virtual reality used to guide a flexible automation process is one of a host of activities being researched at the Fraunhofer

Talk of an "innovation crisis" in such a powerful economy as Germany's seems strange, to say the least, when it comes from the head of one of the country's most respected research groupings.

But Hans-Jürgen Warnecke, head of the Fraunhofer Gesellschaft (organisation), means it and repeats the message often. It is not enough that German companies are among the world's biggest exporters and often leaders in their sectors. He believes many are not sufficiently alert to new ideas and products.

As one of the world's leading applied research bodies – supported by business, government and regional states – Fraunhofer is at the heart of industrial and scientific endeavour in Germany. With 46 specialised institutes, a staff of nearly 8,000 and a budget of around DM1bn (£400m), its task is to help develop new technologies for a wide variety of industrial, environmental and social uses. Its activities cover lasers, robots, environmental protection, electronics, materials, optics and a host of other technologies.

Fraunhofer-inspired innovations play an important role in modern life. They include: environmentally safe gas generators to inflate car airbags and intelligent micro-electronic chips to control their operation; traffic monitoring systems; and sensors to register pollution on historic buildings.

There are many more, and Warnecke would like to see research ideas applied far more effectively throughout the economy. He stresses the need for greater co-operation between science and industry. Science should pursue ideas further towards possible implementation so companies have more information to decide whether to put them into practice. "Those companies, especially smaller ones, that co-operate with the scientific community are better and faster in innovation."

It is with such companies, which have little research capability of their own, that Fraunhofer works most closely. Around 60 per cent of its industrial contracts are with Mittelstand (small and medium-sized companies). This runs counter to the trend in Germany, where some 60 per cent of industrial research is carried out by companies with more than 10,000 employees and the rest spread throughout the Mittelstand.

A strength of the Fraunhofer organisation – founded in 1949 and named after Joseph von Fraunhofer, an early 19th century pioneer in optics – is the way researchers move easily between science and industry, developing both academic and commercial skills. More than half its institutes are headed by university professors; students can complete their doctorates with Fraunhofer, working on projects with industry.

Many foreign industrialists, economists and politicians are impressed with the way the organisation works. "The Fraunhofers can very easily handle clusters of technology that do not really fit into the normal academic framework," says Bob Whelan, head of the Centre for Exploitation of Science and Technology, a British think tank. "I've always felt they're very positive."

Stan Manton, who heads the business process unit at Warwick Manufacturing Centre, part of the UK town's university, also sees benefits in the Fraunhofer model. "The magic of it is that the Germans stay in education longer than is typical of the British. Students can get paid by Fraunhofer. It all hangs together rather well."

The UK government studied the Fraunhofer organisation with a view to adapting aspects of its operations. But Warnecke thinks the British went about it the wrong way. "The UK believed they could do this without putting in any public money. This is not true by a long way." The federal government, state governments and industry each provide roughly a third of Fraunhofer's finances.

Fraunhofer's success in helping industry has also found favour in the US. It has set up an offshoot there to work with universities and companies to develop advanced industrial technologies. Fraunhofer USA is based in Michigan, near the motor industry which it expects to be a significant client.

'When one talks of an innovation crisis in Germany, its cause is a communication crisis'

"Science has become extremely mobile," explains Warnecke, a professor in industrial automation at Stuttgart university. "Competition takes place in the speed of innovation and its implementation. So a research organisation which partners industry must also become more international." Fraunhofer USA, which will have three years to pay its way, hopes to draw clients from both US and German companies. The organisation may also set up a unit in Singapore.

Two Aachen-based institutes, specialising in lasers and production technology, form the core of the US venture. Ralf Eckhard Beyer, acting head of the laser institute, says the aim is not only to transfer know-how to companies in the US, but also to become more aware of developments there and thus improve its standing with German industry.

"Some companies say our know-how is partly financed by tax money and are critical of our decision to go to the US," he says. "But you can't seal yourself off in research. The newest and best laser equipment is sold in Japan and around the world. We are growing together in the global economy, so R&D also has to come together."

Warnecke stresses the importance of Fraunhofer's links with Mittelstand companies. "They have to be convinced an idea will pay."

The Aachen institute has helped companies develop laser surface treatments to prevent wear and tear in engineering products, control rapid prototyping and eliminate electrical currents in sheet metal production.

In Warnecke's view, not enough German companies take advantage of external research facilities such as Fraunhofer's. Of the DM50bn or so spent by German industry on R&D each year, only around DM1bn, or 2 per cent, is put out to contract.

Part of that DM1bn helps keep Fraunhofer going – about 20 per cent of the sum is spent on research contracts at its institutes – and Warnecke would like to see it grow. "Research means investigation and this process should be given more prominence," he says. "When one talks of an 'innovation crisis' in Germany, its cause is a communications crisis."

Compared with the amount spent on research, he adds: "Too much is left lying or disappears. The success rate is far too low." The cause lies both with the scientific and research community and with industry. If the cost of discovery of a new process or product is put at DM1, the rule of thumb is that the prototype will cost DM10 and the marketable product around DM100.

He applies his criticism to his own organisation as well as others. "At Fraunhofer, too, we are satisfied when a working prototype can be presented – and then we stop. Then we say to industry, 'now please take this and bring it to the market place'. We forget there is a long way between the first prototype and a reliable, well-made marketable product."

Warnecke's strictures about Germany's waning innovative power are not new. The country's strength lies in such traditional sectors as manufacturing and chemicals rather than electronics, computers and biotechnology. Its success in bringing new high-tech companies to the market has been very limited. Adequate research support and financing for innovative, start-up companies is lacking.

But while seeking closer links with industry, he feels Fraunhofer should continue to look beyond commercial horizons. Too much reliance on outside contracts would restrict its ability to look 10 years ahead on strategic research projects against a time-scale of up to three years for industry and three to six years in the public sector.

"If we obtained 50 per cent of our business from industry [rather than a third], we would quickly become an engineering design office or consultancy. This would reduce the flow of new impulses." It is these which are vital in Fraunhofer's role as a far-seeing partner for German and, increasingly, foreign industry.

MANAGEMENT

Victoria Griffith on the future of US affirmative action policies

The definition of discrimination

Small minority-run businesses may soon face a more hostile work environment in the US if a pending Supreme Court decision goes against them. A Colorado-based construction group has challenged federal policies favouring minority enterprises in public works projects, and the future of affirmative action for small businesses now hangs in the balance.

In *Adarand Constructors v Secretary of Transportation Federico Peña*, Adarand charges that it was discriminated against in the awarding of a federal highway construction project because the company was not managed by a member of a minority group.

The Department of Transportation awarded the guard rail project to Gonzales Construction Company, a Hispanic-run group, although Adarand claims it entered a lower bid for the work.

Under consideration is whether Gonzales Construction should be classified as a "disadvantaged" company on the sole basis of the ethnic origin of its management. The Supreme Court will rule on the case some time over the next few months.

Minority-run small businesses often qualify for special assistance in the US under a special Small Business Administration (SBA) programme. The programme was created in 1968 to provide "socially and economically disadvantaged" companies with financial, managerial and technical support, as well as access to federal contracting.

Federal loan guarantees and accelerated payments, for instance, are available to programme participants. The SBA also provides private-sector specialists. Small minority-run businesses are often given free-of-charge advice on marketing, accounting and bid preparation for public contracts.

Hispanics, blacks and native Americans automatically qualify as "socially disadvantaged" under affirmative action provisions, which attempt to offset past inequities. Other ethnic groups, as well as women's and disabled groups, have also qualified in certain cases. To fulfil the "economically disadvantaged" requirement, companies' managers must have less than $250,000 (£161,300) in net worth, excluding their home.

Advocates of affirmative action fear that a decision in favour of Adarand would be a big setback. "This could be devastating for minority-run businesses," says Anthony Robinson, president of the Minority Business Legal Defence Fund.

According to Robinson, a similar case in 1989 wreaked havoc on affirmative action in the private sector. In *Croson v the City of Richmond*, the Supreme Court ruled that more than 230 municipal programmes guaranteeing minority-run groups participation in public works projects were unconstitutional.

"Before the Richmond programme [instituted in the mid-1980s], minority participation was less than one-tenth of 1 per cent," Robinson says. "With the programme, it rose to over 30 per cent, and after the Supreme Court ruled against the programme, minority participation fell to less than 5 per cent."

But Adarand's managers say they deserve equal treatment. "We were discriminated against because we were white," says Randy Pech, general manager and co-founder of the construction company. "The government shouldn't use race as a basis for making decisions, either for or against white people."

Because the Supreme Court case questions the definition of "social disadvantage", a ruling may affect all aspects of the programme for minority-run businesses. The SBA stands by its definition, however.

"There is good reason to assume that certain ethnic and racial groups are at a social disadvantage in this country," says David Caulfield, an SBA spokesperson. "Something has to be done, or we will have a two-tiered society."

Even if the Supreme Court rules in favour of Peña, the SBA's programme may come under attack in Congress, where resistance to affirmative action is growing.

LEGAL NOTICES

THE INSOLVENCY ACT 1986
CONSOLIDATED PRESS INTERNATIONAL FINANCE PLC
(IN MEMBERS' VOLUNTARY LIQUIDATION)

I, Margaret Elizabeth Mills of Ernst & Young, Becket House, 1 Lambeth Palace Road, London SE1 7EU hereby given notice that on 16 February 1995 I was appointed liquidator of the above named company.

NOTICE IS HEREBY GIVEN that the creditors of the above company are required, on or before 20 March 1995 to send in their full names and addresses and full particulars of their debts or claims to me and, if so required by notice in writing from me, are personally or by their solicitors, to come in and prove their debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

Dated: 16 February 1995

M E Mills
JOINT LIQUIDATOR

N.B. All known creditors have been or will be paid in full, but if any persons consider they have claims against the company they should send in full details forthwith.

NOTICE OF APPOINTMENT OF ADMINISTRATIVE RECEIVER

BLOOMS SIGNS LIMITED

Registered number: 2267691. Former Company name: Harold Bloom Signs Limited. Trading names: Bloom signs Limited, BFK Sign & Lighting Maintenance Limited. Nature of business: Sign Manufacturer. Trade classification: 23. Date of appointment of administrative receiver: 9 February 1995. Name of person appointing the administrative receivers: Barclays Commercial Services Limited. J.M. Iredale & S.P. Holgate, Joint Administrative Receivers (office holder Nos 2104 & 7901).
Address: 9 Greyfriars Rd, Reading RG1 1JG

INTERNATIONAL PEOPLE

Recent job moves

■ K Shankar Bajpai, 66, India's former ambassador to the US, has joined Merrill Lynch & Co as senior international adviser. He will advise on business strategies in India and Southern Asia.

■ Reto Braun, a Swiss national, chairman of Canada's Moore Corporation following the retirement of M Keith Goodrich in April. Braun continues as chief executive.

■ James F. Link, Texaco's treasurer on the retirement of Robert W. Ulrich. Thomas P. Dougherty, from Texaco's tax department, succeeds Link as fiscal director and comptroller of Texaco USA.

■ Cesar Vacchiano, who has worked at Domecq and Telefonica, has been appointed commercial director of Tabacalera, the Spanish tobacco group. Sixto Heredia, former marketing and sales director, has been appointed to network services director. Miguel Angel Royano, director of distribution, has been made production director.

■ Robert J. Ritchie, president of Canadian Pacific Rail System, chief executive succeeding I. B. Scott, who retires.

■ H. B. van Wijk takes charge of investment activities at Aegon, the Dutch insurer, as well as group treasury. P. van de Geijn will be appointed chairman of the supervisory board of Labouchere NV.

■ RJR Nabisco's Lawrence R. Ricciardi, 54, president and general counsel, and Eugene R. Croisant,57, executive vice president, human resources and administration, are retiring. Steven F. Goldstone, 50, a partner in Davis Polk & Wardwell, is named general counsel.

■ Ignace Goethals, 49, a Belgian national, president SmithKline Beecham Animal Health, has been named to the newly created post of president worldwide supply operations.

■ William Courtauld, a director of Jardine Pacific, has been appointed managing director of Kleinwort Benson Asia and a director of the London merchant bank.

■ Thierry Morin, 42, Valeo's group financial controller, vice president finance following the resignation of Yves Blanc.

■ Juan L Elek, 51, founder of Elek, Moreno Valle y Asociados, a Mexico City investment bank, a director of Centex Corporation, a US housebuilder.

■ Timo Salovaara, 47, senior vice president corporate development at Tampella, the Finnish engineering group. He was president of Outokumpu Technology.

■ Stephen O Jaeger, chief financial officer of Houghton Mifflin, is joining Perkin-Elmer Corporation in the same role.

■ Peter C van der Lugt, 49, who has worked at Amro Bank and Aegon, has resigned from the executive board of De Nationale Investeringsbank, based in The Hague.

■ James P Roemer,47, chief executive of Bell & Howell's UMI business, president and chief operating officer of Bell & Howell.

■ David Hearn, managing director of United Biscuits' KP foods group, chief executive of UB Snackfoods Europe.

■ Vincent Gargaro, Sprint International's country manager for the the UK and Ireland, vice president and general manager Europe.

■ Tristan Vieljeux, former chairman and chief executive of French shipping group Delmas-Vieljeux, a non-executive director of West Africa's OT Africa Line.

■ Charles H McGill, 53, has left Dun & Bradstreet to be vice president corporate development at American Brands.

■ Paul Steele, 40, Pepsi-Cola International's group vice president Northern Europe, senior vice president sales, marketing and information technology at Ladbroke's Hilton International hotel chain.

■ John E Neal, 44, who joined Chicago fund manager Kemper Financial Services in 1992, president and chief operating officer.

■ Elroy Dimson, professor of finance at London Business School, has succeeded Mike Thompson as chairman of The German Investment Trust.

International appointments

We hope to create in these columns a comprehensive listing of senior appointments in international companies. Please fax announcements of new appointments and retirements to +44 171 873 3926, marked for International People. Set fax to 'fine'.

Tax rules must agree with EC law

EUROPEAN COURT

National income tax regimes must be exercised consistently with European Community law, even though at present direct taxation does not fall within the ambit of the Community, the European Court of Justice ruled last week.

The judgment arose in the context of an action brought in Germany by a Belgian national, Mr Schumacker, who worked in Germany but resided in Belgium.

Under the German tax system at the time individuals were treated differently depending on whether or not they were resident. Non-resident taxpayers were not entitled to married persons' allowances, were excluded from adjustments for over-payment of tax when levied at source, and they could not claim certain allowances against tax, such as dividends and deductions for social expenses.

As Mr Schumacker was employed in Germany, he came under the German tax regime and was taxed as a non-resident. He asked the local tax office if he could be taxed as a resident, so that he could benefit from the entitlements. The request was refused and he appealed to the Finance Court, which decided in his favour. The tax authorities appealed and the Appeal Court decided to refer the matter to the ECJ on the basis that it was unsure whether Rome Treaty provisions relating to the free movement of workers had any bearing on the issue.

The Court was first asked whether the free movement provisions could limit member states' rights to lay down conditions for nationals of other member states on tax. Having ruled that national tax regimes had to be exercised consistently with Community law, the Court reiterated that the free movement rules required the abolition of discrimination based on nationality between workers of different member states.

It was for that reason that legislation from the European Council of Ministers required that workers of one member state were to enjoy the same tax benefits in another member state as nationals working there. Thus member states were limited in this area in that they could not treat a national from a different member state employed in their country any less favourably than their own nationals.

The Court was then asked whether the free movement provisions precluded member states applying rules under which non-residents were taxed more heavily than residents. The ECJ first found that, as most non-residents were mainly nationals of other member states, such rules could be discriminatory. But the position of residents and non-residents was not as a rule comparable and discrimination could only be found to exist where, among other things, different rules were applied to comparable situations.

Income received in a member state by a non-resident generally only formed part of that individual's income, whereas income received by a resident generally formed the main part of that individual's income. For that reason the treaty provisions did not in principle preclude member states from taxing non-residents more heavily than residents. But where, as in the present case, the non-resident received most of his income in the member state where he was employed, there was no objective difference between the two.

Five member states, including the UK, argued discrimination was justified by the need for consistent application of tax regimes to non-residents. It was argued non-residents could benefit twice from family allowances if the member state of employment had to take into account such allowances, as the member state of residence would also apply them.

The Court rejected those arguments on the basis that, in the present case, the member state of residence could not apply the family allowances as there was insufficient income in Belgium for it to do so. The Court also rejected the member states' arguments on administrative difficulties.

Finally, the Court said the existence of non-binding provisions allowing non-residents to claim certain allowances was not sufficient to remove the unlawful effect of the rules.

C-279/93: Finanzamt Koln-Alstadt v Roland Schumacker. ECJ FC, February 14 1995.

BRICK COURT CHAMBERS, BRUSSELS

A talent abused

William Packer considers the case for de Kooning's painting

Born in 1904, Willem de Kooning is, in debilitated old age, the last survivor of the first, perhaps the last, *golden age of* American painting. For it was in New York in the immediate post-war years that abstract expressionism burst upon the world, and he was at the heart of it. This revealing retrospective at the Tate tells us quite as much about that informing context as about his work.

The New York School was mythologised almost from the first. *Here from the* early 1950s, so the American critical machine would have it, was modern painting in its true and final state, with nothing more to be said, or done. More than that, it was a uniquely American *phenomenon*, a triumphant modernism sprung fully-formed in a moment from the brows of its creators.

Yet this great feat of self-promotion was oddly arbitrary. What had all these artists, de Kooning, Rothko, Pollock and their chums, been doing before the magic date of 1950? It is now well-understood that their work of the 1940s and earlier is of the first importance in any understanding of their develop*ment and overall achievement*. Nor should it be considered piecemeal or in isolation.

The first few rooms at the Tate make clear that, in the war years and just after, de Kooning must be seen within the immediate context of his peers – Gorky, Rothko and Pollock especially. Moreover, the influences and interests then bearing on them are shown to be of two related kinds. On the one hand, there was the still-vigorous American realist tradition: on the other, the shift *in their own work towards an* abstracted figuration founded in European surrealism and expressionism. Thus are the myths exploded: that there was no significant American painting before the emergence of the post-war New York *School*: and that when it did emerge, it was exclusively American.

These first rooms are fraught with intriguing possibilities. Here are *figure paintings from* the early 1940s, men and women of calm and simple presence, yet drawn already with the characteristic de Kooning line, cursive and succulent. Even as they drift towards abstraction, we catch echoes and foreshadowings of the truncated, disembodied, visceral forms familiar from the weeping or reclining *women of Picasso and Moore*, and distortions that Francis Bacon had yet to dream of.

The sense is of ideas in the air, common interests, coincidental development. So de Kooning continues through the 1940s and into the '50s, moving on to an expansive, calligraphic abstraction, ambiguously organic and even orgiastic in reference and suggestion. *In the painted surface, and in* the confident energy of the line, he is lyrical and generous.

As yet the particular reference is never far away. Soon he is back to the figure direct, to the nude woman, splayed *and open in aggressive con*frontation, the image again abstracted but not beyond the point of recognition. This again is painting of a high order, worthy to set against the best of Picasso, Bacon, Soutine.

From these women he moves on to the abstracted landscapes of the later 1950s and early '60s, at once firm and simple in their construction, magisterial in the statement, and free as birds. Hung together in the largest room, they afford as exhilarating a demonstration of pure painterly expressionism as one could wish for.

This is the turning point of the show, as of the career, and from around 1963 it is downhill all the way. How do we account for a transition all the *more remarkable for being so* abrupt? Complacency at the final achievement of an absolute critical success? It must surely be at once exciting and disarming to be acknowledged, suddenly in mid-career, as one of the greatest masters of modern painting. Without going quite so far as some – David Sylvester, the curator of this show, considers de Kooning "the supreme painterly painter of the second half of the cen*tury and the greatest painter of* the human figure since Picasso" – it is fair to concede that a serious case is to be made for de Kooning, up to that time, as a most considerable artist.

But with the case for genius accepted, the demands increase. Collectors all want their prime example. Never mind the quality, feel the width. So the price goes up, to be sustained, critically and *commercially, or the bubble* will burst.

How else do we explain the sudden decorative and flaccid triviality of the next batch of images of women, in the later 1960s, or the repetitive, *unstructured abstracts of the* 1970s, with their inattentive surfaces and thrashing, desperate gestures, like treading paint to keep afloat? The linear simplicities of the 1980s are merely embarrassing.

This important exhibition is admirably succinct in its selection and devastating, if unwittingly so, in its conclusions. Willem de Kooning was a truly wonderful painter, once upon a time.

Willem de Kooning: Paintings at the Tate Gallery, Millbank SW1, until May 7: sponsored by J.P.Morgan & Co.

'Standing Man', detail, c. 1942 by Willem de Kooning

Ballet/**Clement Crisp**

A Juliet and a Giselle

There were two rewarding interpretations in Royal Ballet program*ming at the week's* end: Darcey Bussell's Juliet and Sarah Wildor's debut as Giselle. Bussell is still a relative newcomer to Juliet, but hers is already a reading to honour. She takes to the role *as if it* were newly made for her, and makes it new for us with a myriad freshnesses of impulse, of feeling.

I feared that she might prove too long-limbed, too tall, for choreography whose physical and *musical* timing were conceived for the very different Lynn Seymour, and still bear her thrilling imprint. Bussell's first entrance was over-girlish – *I could not stifle a thought* that this Juliet was too big to be playing with dolls – but within seconds the sweetness of her temperament, the sensitivity of her playing, banished every doubt. We were to see a *portrait beautifully natural* and beautifully intelligent.

Bussell's child Juliet is an innocent, uncomprehending of life. When, as they are introduced, Paris puts his hand on her shoulder, Bussell is puzzled, even shocked. At the ball she is adorably shy, taking a child's delight in the festivities, and her first view of Romeo seems nothing more than an infatuation which she does not understand. Once alone with him, deeper feelings emerge. As Romeo seeks her out, she smiles at him, their palms meet, and she surrenders herself to first love. The *skill* with which Bussell achieves this awakening, the gradations of emotion, the sensitivity and ease with which it is charted, speak of rare artistry. By the balcony scene, the die is gloriously cast as Bussell rides on waves of ecstatic feeling, the dance ravishing in *pulse as in outline*.

If I detail so much of these early scenes, it is to suggest the power and grace of Bussell's reading. For the trials of the third act, she finds an impetuosity and a sense of the *inevitable as much psychic as* physical. A ghost in Paris's arms – only Seymour and Makarova have seemed as drained – and utterly abandoned (she cannot let her nurse touch her), she runs to the window, pauses for an *eternity*, then submits to her fate. Heart-tearing, the rest of her reading is as grandly shaped and as poetic. Bussell's Romeo, *devoted, touching,* was Adam Cooper.

Sir Kenneth MacMillan made Rose in *Prince of the Pagodas* as a portrait of the radiant young Bussell. In *Song of the Earth* shortly after, Bussell *showed* that *she* could play a womanly role and make greatest sense of it. As Juliet, she repays MacMillan for his gifts to her by renewing Juliet on most thrilling terms.

Divine Providence created *Saturday* matinees so that young dancers might make their debuts. Sarah Wildor has won golden opinions for her dancing during the past three years (not least for a *lovely* Juliet) and her first Giselle on Saturday afternoon was eagerly anticipated. It was, as we had every reason to expect, an interpretation of real promise. There is, I feel, something *rather drilled about the Royal* Ballets's view of Giselle, with emotional pointers throughout the action which have to be obeyed. Thus, interpretations are decorous, logical, and about as Romantic in spirit as shop-window models. The role is seen as a corset rather than a spring-board. A young debutant of course needs such props, and Sarah Wildor went decently through the first act, registering innocent joy, shyness, madness, and contrived not to make it seem like acting by numbers. The lessons were well learned, and we believed. I believed not *at* all in *Zoltan* Solymosi's Albrecht, who postured and flaunted himself, and spent much time trying to pull down his jerkin – which was a poor substitute for any emotion save complacency.

But much shall be forgiven him because he partnered Wildor in the second act like an *angel*. She drifted and hovered in his arms, merely brushing the ground. Because her physique could speak more freely here, the reading looked true, more touching, individual. The pretty grace-notes of her style – *its suppleness in waist and* shoulders, the pure line of head and neck – gave the dance personality. In the greatest challenges of the ballet Wildor was notably pleasing.

Rare artistry: Darcey Bussell as Juliet — Alastair Muir

Concerts/**David Murray**

Tippett and more

The Barbican Hall was crowded on Sunday for the latest concert in the Tippett "Visions of Paradise" series, for it included the first performance of what Sir Michael says will be his last orchestral work, *The Rose Lake*. The 90-year-old *composer appeared to* talk about it, entirely his odd, charming self, though evidently frail. After the piece ended as the audience left a few respectful seconds to pass before bursting into applause, *some fool leapt up to scream* "Visions of Hell!" A commotion ensued, negligible in the circumstances, but a pity.

The piece was inspired by Tippett's 1990 visit to the "Lac Rose" in Senegal, which changes magically *from* whitish-green to translucent pink as the sun reaches midday height. His music takes about 20 minutes to track the lake's light from dawn to dusk, with a rapturous climax on strings *in its middle section* (of five).

Asked whether this was not old-fashioned pictorialism or Impressionism, Tippett retorted that nobody knows what "pictorialism" in music is supposed to be, but yes, *The Rose Lake* is sort of Impressionist, and why not? Probably he meant that choosing to compose an impressionistic piece is only choosing a certain medium, or frame; what you actually write within it is what will be (in his words) "your song", however well or badly you sing it.

In fact *The Rose Lake* is *derivative* only to the extent of trading upon some basic Impressionist gestures to suggest pregnant stillness, echoing dark, water, birds. Tippett's own *instrumental* inventions are constantly surprising and effective, and the musical substance – astrin*gently spare, for the most part* – is pungently his own. Free-ranging counterpoint; dark, throttled brass chorales, and an excited hubbub of high solo strings; hieratic chants in canon (slow or very fast), often with yawning gaps between high and low; rattling bursts of xylophone, marimba, percussive harps, and a three-octave profusion of dry, thudding roto-toms (instead of timpani) attacked by two play*ers at demented speed*.

Some passages sound like late homages to American minimalist music. Yet the overall feeling is of reflective stillness, a detached openness to impressions, for all Tip*pett's quiver-full of quirks and* tics. If this really is his orchestral swan-song, it represents the old composer beautifully. *Sir Colin Davis conducted it* with the London Symphony and his usual full-blooded sympathy, as earlier he had done the Ritual Dances from *The Midsummer Marriage*.

Also Ravel's two-hand piano concerto, with the excellent Gerhard Oppitz as soloist: by conventional standards too punchy by far in the limpid Adagio, but so alert throughout to the nodes of the music that it was a tonic to hear him. *Many a graceful French stylist* skates over the real turning-points that give the piece musical shape and sinews.

I thought something like that about the previous "Visions of Paradise" instal*ment, by the London Sinfo*nietta under Elgar Howarth last Wednesday. Though the *tenor Nigel Robson delivered* Tippett's *Songs for Dov* acutely and stirringly, the Sinfonietta sounded indifferent, even pedestrian, in his just post-*Priam* Concerto for Orchestra. A week earlier, the Guildhall *School ensemble had played* its first movement on the same platform, and in almost every respect that was tauter, clearer and better-sprung than in this account.

As for the Steve Martland piece (from 1985) that *the Sin*fonietta gave us instead of their announced David Sawer premiere, I have to confess profound deafness. Beyond Martland's brutalist trappings – borrowed from his teacher *Louis Andriessen, and from* Stravinsky – I have never been able to detect any musical impulse. So it was again with his *American Invention* here: 22 minutes of laborious, witless banging. It would be *exciting some day to discover* a clue to some sense in Martland's scores.

Theatre

The Promise

Michael Gordon's production of *The Promise* (at BAC, Battersea) *opens* with a wonderful little coup de théâtre. The stage is pitch black and silent when, suddenly, a spotlight goes up on a battered kettle and the air sings with a piercing, *high-pitched whistle. But, as* we will a character to pick it up, we realise that the screech comes not from the stove but from the bombs dropping outside the window – this is the siege of Leningrad.

*This juxtaposition of domes*ticity and violence makes for a striking opening but it also sums up much of Alexei Arbuzov's play, which is largely concerned with what human beings can get used to.

*Being Russian, it is also con*cerned with love, war, peace, friendship, poetry, the soul and ideals. Arbuzov focuses on three characters, Lika, Marat and Leonidik, who meet as teenagers in the dilapidated *remains of Marat's family* apartment in 1942. Marat, a charismatic, idealistic youth, and Lika, a self-possessed 16-*year-old, set up house amidst* the ruins and are just about to seal it with a kiss when Leonidik, with consummate timing and an armful of kindling, falls in through the door.

The three make a pact to *love and trust each other but* are separated by the war. They meet again twice: once in 1946, when they realise Lika will have to choose between the two men, the "hero", Marat or the underdog, Leonidik: and once, at the *end of the 1950s*, when they realise that she chose wrongly. Arbuzov may be dealing with the nature of love and friendship and the fading of youthful *ideals* on a personal level, but one sus*pects that his message is also* political and that he speaks for a whole generation of Russians who survived the war.

Structurally, the play is rather schematic – a ménage à *trois with the power balance* moving around the threesome – and the ending, when Leonidik proves himself the true hero by an act of self-sacrifice, seem somewhat improbable for our cynical age. But the company *carries it off* by emphasising its old-fashioned charm, aided by Ariadne Nicolaeff's rather courtly translation. Gordon's warm, detailed production and Liz Cooke's precise, naturalistic set draw you into *the world of the play*.

But its success depends on the actors. Sasha Grunpeter has passionate charm but could go further with the complexities of Marat, who is also a compulsive liar. William Keen *is strong as the witty*, self-deprecating Leonidik and Emily Best gives a fine performance as Lika, both fading and mellowing before our eyes as she changes from a vivid, strong-willed girl to a benevolent *but resigned woman*.

Sarah Hemming

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

CONCERTS

Het Concertgebouw Tel: (020) 671 8345

● Royal Concertgebouw Orchestra: *with soprano* Sylvia McNair. André Previn conducts Debussy, Roussel and Ravel; 8.15pm; Feb 22, 23, 24

GALLERIES

Rijksmuseum Tel: (020) 673 21 21

● Art of Devotion *1300-1500: major* winter exhibition focusing on the spiritual function of objects in the medieval period; to Feb 26 (Not Sun)

● *UKIYO-E: the* finest Japanese prints; to May 28

OPERA/BALLET

Het Muziektheater Tel: (020) 551 8922

● Mazeppa: by Tchaikovsky. A Netherlands Opera production conducted by Harmut Haenchen and directed by Richard Jones.; 7.30pm; Feb 21

■ BONN

GALLERIES

Kunst-und *Ausstellungshalle* Tel: (0228) 9171 236

● Under the Volcano Antique Masterpieces: second in the' Great *Collections* Series', this exhibition represents a modern 'excavation' from among the 200,000 works of the Museo Archeologico Nazionale di Napoli that includes statues, *frescoes and ceramics; to Jun 5* (Not Mon)

● Wunderkammer of the Occident: a journey through the history of European museums and collections, with more than 2,000 objects *that* have been collected by Europeans *since the Renaissance; to Feb 26* (Not Mon)

■ LONDON

CONCERTS

Barbican Tel: (0171) 638 8891

● Tippett: Visions of *Paradise*: Sir Colin Davis conducts the London Symphony *Orchestra* and violinist Midori to play Stravinsky, Sibelius *and 'Tippett's* Symphony No. 4'; 7.30pm; Feb 23

● Tippett: Visions of Paradise: Sir Colin Davis conducts the London Symphony Orchestra with mezzo-soprano Maria Popescu and tenor Laurence Dale to play Tippett's, 'The *Mask of Time*'; 7.30pm; Feb 26

Festival Hall Tel: (0171) 928 8800

● City of Birmingham Symphony *Orchestra*: with pianist Paul Crossley and the ladies of the CBSO Chorus. Sir Simon Rattle conducts Stravinsky, Messiaen and Bartók; 7.30pm; Feb 25

● *Philharmonia Orchestra*: Christoph von Dohnányi conducts *Brahms'* symphony No. 3 and No. 1; 7.30pm; Feb 27

● Pinchas Zukerman: Phillip Ledger conducts the violinist and the English Chamber Orchestra to play Bruch and Beethoven; 3.15pm; Feb 26

● The London Philharmonic: Zubin Metha conducts Schubert, Berg and Elgar; 7.30pm; Feb 23

● The London Philharmonic: Zubin *Metha conducts Wagner and* Webern; 7.30pm; Feb 26

GALLERIES

National Gallery Tel: (0171) 839 3321

● Spanish Still Life: from Velázquez to Goya.; from Feb 22 to May 21

Roy Miles Gallery Tel: *(0171)* 495 4747

● Anderson and Low: platinum-palladium prints of images based on classical themes, ranging from sculpture and Renaissance tableaux to geometrcal studies; from Feb 21 to *Feb 28*

Tate Tel: (0171) 887 8000

● *Willem de Kooning: a major* exhibition featuring over 70 paintings drawn from private and public collections worldwide; to May 7

OPERA/BALLET

English National Opera Tel: (0171) 632 8300

● *Madama Butterfly*: Puccini's opera, originally directed by Graham Vick; 7.30*pm*; Feb 22, 24

● Rigoletto: Jonathan Miller's updated version of Verdi's opera where the duke is a Mafia boss; 7.30pm; Feb 23

Royal Opera House Tel: (0171) 340 4000

● *Der Rosenkavalier: by Strauss.* Conducted by Andrew Davis, directed by John Schlesinger. Soloists include Felicity Lott/Anna Tomowa-Sintow as Prinzess von Werdenberg; 6.30pm; Feb 24

● Giselle: music by Adolphe Adam. A Royal Ballet production choreographed by *Marius* Petipa after Jean Coralli and Jules Perrot and produced by Peter Wright; 7.30pm; Feb 25 (1pm)

● La Bohéme: by Puccini. Conducted by Simone Young/Paul Wynne Griffiths, directed by John Copley. Soloists *include* Angela Gheorghiu/Amanda Thane as Mimi and Maria McLaughlin/Judith Howarth as Musetta; 7.30pm; Feb 21, 23

● The Prince of the Pagodas: by Britten. A Royal Ballet production *choreographed by Kenneth* MacMillan opens a Benjamin Britten 'mini festival' at the Royal Opera; 7.30pm; Feb 22

THEATRE

Albery Tel: (0171) 876 1115

● Cell Mates: written and directed by Simon Gray and starring Rik Mayall and Stephen Fry; 8pm; (Not *Sun*)

Greenwich Tel: (0181) 858 7755

● The Duchess of Malfi: by John Webster, directed by Phillip Franks. With Juliet Stevenson and Simon Russell Beale; 7.45pm; (Not Sun)

Shaftesbury Theatre Tel: (0171) 379 5399

● The Three Lives of Lucie Cabrol: adapted *from* John *Berger by* Mark Wheatley and Simon McBurney, who also directs. The Theatre de Complicite presents this violent love story: 7.30pm; to Feb 25 (Not Sun)

■ NEW YORK

GALLERIES

Guggenheim Tel: (212) 423 3652

● Ross Bleckner: mid-career retrospective of the American artist consisting of approximately 75 paintings and works on paper; to May 14

Metropolitan

● Early Renaissance Florence: 100 *panel paintings and manuscript* illuminations by masters of the Gothic style; to Feb 26 (Not Mon)

● Thomas Eakins: exhibition honouring the 150th anniversary of *the birth of the artist*. This installation of about 30 works from the museums holdings explores the museums continuing interest in Eakins; to Feb 26

OPERA/BALLET

Metropolitan Tel: (212) 362 6000

● *Der Rosenkavalier*: by Strauss. Produced by Nathaniel Merrill, conducted by James Levine; 7.30pm; Feb 24

● La Traviata: by Verdi. Produced by Franco Zeffirelli, conducted by John Fiore; 8pm; Feb 22, 25 (1.30pm)

● Simon Boccanegra: by Verdi. A *new production directed by* Giancarlo del Monaco.; 8pm; Feb 21, 25

● Turandot: by Puccini. Produced by Franco Zeffirelli, conducted by Nello Santi; 8pm; Feb 23, 27

■ PARIS

CONCERTS

Champs Elysées Tel: (1) 47 23 37 21/47 20 08 24

● Orchestre du Centre National des Arts du Canada: Trevor Pinnock conducts Schubert, Haydn, Bouchard and Mendelssohn; 8.30pm; Feb 27

Opéra National de Paris, Bastille Tel: (1) 47 42 57 50

● Myung-Whun Chung: conducts the orchestra and choir of the Paris National Opera to play Beethoven; 8pm; Feb 21

OPERA/BALLET

Opéra National de Paris, Bastille Tel: (1) 47 42 57 50

● La *Damnation* de Faust: by Berlioz. Conducted by Myung-Whun Chung and produced by Luca Ronconi. Soloists include Béatrice Uria-Monzon as Marguerite, and Thomas Moser/Gary Lakes as Faust; 7.30pm; Feb 23, 25

■ ROME

OPERA/BALLET

Teatro Dell' Opera Tel: (06) 481601

● Cosi Fan Tutte: by Mozart. The Royal Opera House, London staging directed by *Jonathan Miller* comes to Rome with conductor Evelino Pidò; 8.30pm; Feb 21, 24 (6pm) , 26 (4.30)

■ VIENNA

CONCERTS

Gesellschaft der Musikfreunde Tel: (1) 505 13 63

● Oslo Philharmonic: Mariss *Jansons conducts Strauss*, Stravinsky and Ravel's 'La Valse'; 7.30pm; Feb 25, 26

■ WASHINGTON

CONCERTS

Kennedy Center Tel: (202) 467 4600

● *James Galway*: flutist with harpsichordist Phillip Moll plays Bach and Handel; 5pm; Feb 25

THEATRE

Studio Theater Tel: (202) 332 3300

● Conversations with My Father: Herb Gardner's autobiographical work, directed by John Going. Sun 2pm and 7pm otherwise; 8pm; to Feb 26 (Not Mon)

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Dinosaurs in peril

Mexico's ruling party is in trouble, says **Leslie Crawford**

Of all the campaign slogans President Ernesto Zedillo coined during last year's elections in Mexico, "Wellbeing for Your Family" is probably the one he would most like to forget.

The sudden impoverishment of Mexicans following December's chaotic devaluation of the peso has dealt a heavy blow to Mr Zedillo's two-month-old presidency. Mexicans feel defrauded by the man who shattered their collective illusion of prosperity, and 10 days ago, voters in the state of Jalisco – a bastion of conservatism and industry – turned out in droves to punish the party that has ruled Mexico for 65 years earning its veterans the appellation "dinosaurs".

While the Institutional Revolutionary Party half expected to lose Jalisco, the scale of its defeat was unprecedented. The right-of-centre National Action Party won the governorship, most of the seats in the state legislature and the mayorships of seven of Jalisco's 10 most important cities.

With another four state elections to be contested this year, the ruling party has urged Mr Zedillo to show signs of decisive leadership – but neither temperament nor circumstance allow him to assume the near absolute powers Mexican presidents have wielded in the past.

Rebels of the Zapatista movement on guard on a pass in Mexico. Inset: President Ernesto Zedillo

In another era, the year-long peasant uprising in the southern state of Chiapas would have been summarily crushed by the government, with few repercussions either inside Mexico or abroad. Last week, however, Mr Zedillo's decision to launch a military offensive against Zapatista rebels was met by big protest demonstrations in Mexico City and concern among international human rights groups. Mexicans may disagree with the Zapatistas' tactics, but their fight for the rights of downtrodden Maya Indians is recognised as just. Mr Zedillo called off the hunt for the Zapatista leadership after only 72 hours. With the guerrillas evading capture by disappearing into the jungle, Mr Zedillo's claim that "national sovereignty" had been restored over Chiapas rang hollow, while his change of heart over the crackdown did little to dispel his reputation for indecisiveness.

The perceived weakness of the president has serious consequences for members of the political establishment. They fear Mr Zedillo might lose control of the carefully calibrated opening of the political system, which has allowed greater electoral competition in the past six years without forcing the PRI to relinquish its monopoly on power.

The Mexican economic crisis has compounded the insecurity felt within the ruling party. In the present climate of uncertainty, it is proving especially painful for the PRI to recognise it is no longer the monolith it once was, nor the presidency as all-powerful as it used to be.

"It is not just clean elections which strikes fear into the hearts of PRI bureaucrats," says one of the president's advisers. "It is the fear that the whole system of patron-client politics is about to be dismantled."

This explains why a recent speech by Mr Zedillo, in which he expressed the wish to place "a healthy distance" between the government he runs and the ruling party, was greeted with alarm by the PRI stalwarts in attendance. The president was warming to one of his favourite themes – the need to promote equal competition between all political parties – but to the ears of PRI old-timers, this healthy distance could mean only one thing: fewer jobs for the boys.

While attempting to make a virtue out of necessity, the president was also driving home a new fact of life: that the PRI's powers of patronage have been dramatically curtailed by the economic reforms of recent years.

Six years ago, the government was running more than 600 state-owned companies; privatisation has reduced their number to less than 200. Many career PRI bureaucrats have lost their jobs as a result.

The opposition, meanwhile, has been making political inroads. Until 1989, the PRI controlled all 32 state governorships in the land. Today, the PAN governs in four states, and stands a fair chance of sweeping the board in the four state elections this year if the economic crisis continues to undermine Mr Zedillo's standing.

What worries Mr Zedillo's supporters is that the crumbling pyramid of patron-client relationships is not being replaced by anything that could cement political loyalties to the president or his party.

The president has sought to fill the vacuum by enlisting the support of opposition parties, particularly the PAN, for a grand project of political reform. But the PAN is only trusted to remain obedient while political prizes remain to be had, and these can only be achieved at the expense of further electoral defeats for the PRI. To keep the left-wing Party for the Democratic Revolution (PRD) on board, Mr Zedillo had to depose the PRI governor in Chiapas. Earlier efforts to unseat the controversial governor of Tabasco, where election results are also being contested by the PRD, led to a revolt of the local PRI.

Mr Zedillo's strategy is therefore fraught with dangers.

"After 65 years, some hardliners in the PRI believe they have a divine right to power," says Mr Luis Rubio, director of the Centre of Studies for Development in Mexico City. "One cannot aim at removing their privileges without expecting resistance. The government must address the possibility that its reform agenda might unleash more violence, and by that I mean more political assassinations, even terrorism."

The preoccupation led a group of PRI notables last year to draft an agenda for the reform of the ruling party, one that would transform the old corporate amalgam of disparate interests – the PRI still has "labour", "peasant", and "popular" wings, although they have long ceased to matter – into a modern political machine.

"It was Zedillo's pet project," says Mr Jesus Reyes Heroles, one of the authors of the report. "He really believes Mexico's orderly transition to democracy depends on the ability of the PRI to renew itself."

Mr Reyes Heroles continued working on the agenda even after the assassination of the party's secretary-general, Mr José Francisco Ruiz Massieu, in September. What finally halted the momentum for reform, he says, was the accusation that senior party members were involved in covering up the murder.

"The PRI is now disconcerted, angry and leader-less," says another PRI luminary. "Left to itself, the machinery will be incapable of reform."

There are still optimists in Mr Zedillo's inner circle who believe the PRI will reform itself and work for a successful presidency. If it does not, they argue, the days of the longest-lived ruling party in the world are numbered.

EUROPA: Thomas Mayer

A degree of German doubt

It is no secret that there is considerable scepticism among top Bundesbank officials about the Maastricht plans for European economic and monetary union (Emu). Like many others, some members of the Bundesbank council may have private doubts about the wisdom of a single currency. But what counts for policy makers are the reservations of the Bundesbank as an institution.

The concerns of the Bundesbank appear to be rooted in what it regards as a birth defect of Emu: according to present plans, it is to come into force without a simultaneous political union in Europe. The Bundesbank's insistence on the political independence of a future European central bank and on strict adherence to the Maastricht economic convergence criteria is an attempt to minimise the economic risks resulting from this defect.

The Maastricht treaty was devised as a response to the challenges emanating from German unification. But it was based on a *quid pro quo* similar to understandings reached in earlier moves towards European integration. Germany agreed to give up part of its economic sovereignty – in the monetary sphere – in return for its neighbours' approval of the restoration of its political sovereignty and national unity.

For Germany's neighbours, the Maastricht treaty is an insurance policy against the perceived risks associated with German unification. Additional European controls over Germany's economic power make it less likely, on this reasoning, that a united Germany would impinge on their own sovereignty. A European political union is not necessary to exercise these controls; in fact, it could be counterproductive, as proportional representation would increase Germany's political weight in a fully united Europe.

On the other hand, there is a strong body of opinion in Germany for the view, recently reiterated by Hans Tietmeyer, the Bundesbank president, that a European monetary union not embedded in political union would collapse or lead to inflation. This concern is rooted in the conviction that market mechanisms alone would not suffice to bring about national fiscal and wage policies orienated towards achieving stability. A central policy-making authority, combined with the will to keep inflation low, is seen as essential to ensure co-ordination of fiscal, wage and monetary policies.

A body of opinion in Germany holds that a European monetary union not embedded in political union would collapse

Germany's experience since unification seems to have made the Bundesbank more sceptical about the limitations of sole reliance on monetary policy to ensure price stability. For most of the period since the second world war, with the exception of the 1970s, there was a broad German social consensus favouring wage and fiscal policies supportive of low inflation.

But in the wake of German unification the picture has changed. Skirmishes over income distribution, together with imprudent fiscal policies, have prevented the Bundesbank from achieving its 2 per cent inflation target in each of the last six years. The Bundesbank will probably miss its target again this year. With economic recovery gaining ground, there is a shrinking likelihood the inflation target will be met during the rest of the present upswing.

This experience has deepened the Bundesbank's concern that effective macro-economic policy co-ordination would not be possible in a European monetary union without political union. There would be a sizeable risk that national fiscal and wage policies would conflict with supranational monetary policy.

Two examples give an idea of how such conflicts might arise. Would the future European central bank be able to withstand pressures to launch easy money policies to bail out countries with imprudent fiscal policies? If the central bank decided to counter inflationary national wage developments with a tight monetary policy, would individual countries accept the recession that would probably result? If the answer to either of these questions is No, there is a risk inflationary pressures in a future Emu could be even greater than those unleashed by German unification.

The Bundesbank backs the planned statutory independence of the European central bank, as well as strict adherence to the convergence criteria. But it sees these conditions as only second-best safeguards against inflationary pressures. The Bundesbank believes a common monetary policy and, eventually, a single currency are qualitatively different steps in the process of European integration compared with, say, the common agricultural policy. The Bundesbank's basic line is that, without broad consensus favouring price stability anchored in a politically united Europe, an eventual single European currency is unlikely to be as hard as the D-Mark.

Against this background, the Bundesbank is drawing the public's attention to the remaining Emu risks. Given the Bundesbank's influence on German public opinion and the German population's deep-rooted fears of inflation and currency reforms, politicians cannot afford to ignore such warnings. To placate the Bundesbank, the German government will have to insist at the inter-governmental conference in 1996 on tangible progress toward greater European political union, encompassing greater powers for the European parliament.

There have been recent suspicions that the Bonn government is trying to soften the Bundesbank's attitude. The recent nomination to the Bundesbank directorate of a former member of the European Commission, Mr Peter Schmidhuber, has been seen as evidence in some quarters that the government is attempting to mellow the Bundesbank's hardliners. Yet, in the near term, Bundesbank policy will be aimed at regaining German price stability and reducing the risk of an erosion of standards of low inflation.

With economic growth and inflationary pressures gaining momentum, German monetary tightening may well become necessary in the first half of this year. Recently, the view has gained ground on the financial markets that this move could be delayed by the French presidential elections. But if the Bundesbank allowed itself to be swayed by such considerations, the struggle to make a future European monetary policy independent of political influences would already be lost.

The author is senior economist at Goldman Sachs in Frankfurt.

LETTERS TO THE EDITOR

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Mexico needs currency board

From Professor Steve Hanke.

Sir, Your interview with Mr Ariel Buira, deputy governor of the Bank of Mexico, ("Peso policy dilemma dogs Mexicans", February 17) shows us just how confused and misinformed the Mexican officials are about exchange rates. Alas, it helps explain why they bungled the peso devaluation in December 1994 and why they have been so inept since then.

To justify my conclusions I shall focus on Mr Buira's remarks about currency boards. First, contrary to Mr Buira's assertions, Mexico is still considering an Argentine-style currency board. Indeed, Mexican officials confirmed this to me after the publication of Mr Buira's interview. Consequently, comments on its desirability and feasibility are still relevant.

Second, Mr Buira claims that a currency board would be too costly to implement. This is incorrect. To establish a currency board, the peso's monetary base would have to be fully backed by a reserve currency, such as the US dollar, and the peso would have to be fully convertible at a permanently fixed rate to the dollar. With Mexico's current monetary base and a fixed rate of 6 to 1, roughly the current peso-dollar rate, about $11bn would be required.

Admittedly, the Mexicans don't have this level of reserves in hand. However, under the US Foreign Operations, Export Financing and Related Programs Act of 1993 – which was sponsored by Senators Gramm, Dole, Helms, Mack and Simpson – the International Monetary Fund is authorised to lend Mexico the required reserves for a currency board. Moreover, Mexico could pay off the loan from the seignorage it would earn with a currency board.

In the case of a board, seignorage is the difference between the interest earned on the reserve assets and the fact that no interest would be paid on its liabilities. Consequently, a currency board is technically feasible and has received a strong political endorsement from the US.

A currency board system would be desirable for Mexico because the Bank of Mexico has a poor record of producing stable money. The only known method for establishing credibility rapidly and stimulating the demand for pesos is for Mexico to do what Argentina did on April 1 1991: install a currency board system. If done properly, such a move would lower inflation and interest rates. It would also be a necessary, but not sufficient, condition for sustained economic growth.

Steve H Hanke,
professor of applied economics,
Johns Hopkins University,
Baltimore,
Maryland, US

Threat to research body status

From Professor Jean-Pierre Lehmann and others.

Sir, We have read with great surprise, indeed disbelief, the news that the Tokyo-based Institute of Development Economies (IDE) is to be taken over by the Japan External Trade Organisation (Jetro) ("Tokyo forced to shelve bank plan", February 13). While of course we knew that the IDE was financed by Ministry of International Trade and Industry (Miti), we nevertheless believed that its status as an independent research institute was respected.

We consider our friends at IDE as researchers and professional colleagues, not minor government officials. The IDE has undertaken interesting research and produced valuable publications. Finding itself under Jetro administration will result, first, in the IDE losing intellectual credibility, and, second, in having its independence and innovation stifled by bureaucracy.

At a time when the Japanese government claims to be reducing its interference in national affairs, it appears paradoxical, to say the least, that Miti should be taking this particular step. We hope Miti will reconsider.

Jean-Pierre Lehmann,
director,
Paul Lillrank,
affiliated professor,
Marie Söderberg,
senior research fellow,
Jon Sigurdson,
visiting professor,
Patricia Nelson,
research fellow,
Asa Malmström,
research assistant,
The European Institute of Japanese Studies,
Stockholm School of Economics,
PO Box 6501,
S-113 83 Stockholm,
Sweden

Real money

From Mr Peter M.G. Hime.

Sir, I refer to your report, "Directors can earn £940 a day" (February 16). That's nothing, I have recently been interviewed on radio. My unsolicited fee was the equivalent of £1,023.60p an hour!

Peter M.G. Hime,
24 Wilkinson Street,
London SW8 1DB, UK

Option a delayed bonus

From Mr Donald B Butcher.

Sir, In his letter (February 15) Sir Owen Green extols the merits of option schemes in aligning the interests of managers and shareholders. He compares the schemes favourably with annual cash bonuses. But surveys show that 95 per cent of options are encashed when exercised. So the option scheme simply becomes a delayed (three-year plus) cash bonus instead of an annual bonus. This surely gives the lie to the oft-asserted alignment of interests.

More importantly, each £100 of option benefits realised by the directors extracts £100 of value from the shareholders, whereas each £100 of cash bonus paid to the directors costs the company only £67, due to tax recovery.

You reported recently the share price of Berkshire Hathaway Inc. at some $22,000 per share. By creating virtually no new shares and achieving high profitability over nearly 30 years, the company is an outstanding example of one company which delivers long-term shareholder value. Are there many others?

Long-term shareholder value is only likely to be created when directors buy shares in the market and retain them. Fortunately there are some directors who own shares in their companies and value them so highly that they do not issue new ones. Would that there were more.

Donald B Butcher,
chairman,
UK Shareholders Association,
12 Burgh Heath Road,
Epsom,
Surrey KT17 4LJ, UK

Recycling

From Dr A.L. Vickers.

Sir, I write to express my concern over a statement made by Kenneth Gooding in his article, "Cashing in on the 'lucky can'" (February 1). In it, he discusses metal drinks can recycling and states: "As an alloy, steel is less recyclable than aluminium." This is incorrect, both in terms of the stated relative recyclability and the implication that this is because steel is an alloy and aluminium is not.

Steel is the world's most recycled metal. All steel contains recycled steel, because scrap steel is always used as an (essential) ingredient in steelmaking. Steel used for can making does in fact contain lower levels of alloying elements than its aluminium competitor. The steel is at least 99.5 per cent pure iron, whereas the aluminium typically contains between 4 per cent and 6 per cent alloying elements.

A.L. Vickers,
managing director,
British Steel, Tinplate,
Trostre Works,
Llanelli, Dyfed, UK

View on Slovakia N-plant should await evidence

From Mr Giles Chichester MEP.

Sir, Your article regarding the proposal for the European Bank of Reconstruction and Development to help finance work on the Mochovce nuclear power station of Slovakia is quite correct in describing the matter as fiercely contested so far as this parliament is concerned ("EBRD at centre of N-power row", February 16).

There is a wave of emotion which has been generated from the powerful environmental lobby that is in danger of sweeping away rational discussion. The research, technological development and energy committee on which I serve will hold a hearing for technical experts and interested parties to present their case on Wednesday, March 1. That will provide a better scientific and factual basis upon which the parliament can give an opinion than the muddled resolution presently being debated.

There are fundamental issues at stake concerning energy supply and environmental safety for which the green alternative strategy of energy efficiency is neither appropriate nor readily available. Energy efficiency is attractive in its own right but it is not an alternative source of energy. The option of completing a more modern design of nuclear power station and then being able to shut down an older type evidently regarded as unsafe seems a more rational and environmentally sound arrangement to me, but I will await the technical and financial experts' evidence before reaching a conclusion.

At least this proposal, even if it has landed the EBRD in another controversy, is more the sort of thing it should be considering than its previous penchant for marbled halls.

Giles Chichester,
European parliament,
Strasbourg, France

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FINANCIAL TIMES

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Tuesday February 21 1995

Insurers, tax and savings

The collapse in life assurance company sales of personal pensions in the UK last year, together with the more general decline in the life assurance sector's revenues, points to an astonishing erosion of public confidence in an important part of the financial services industry. To the extent that it represents a reduction in the sale of inappropriate products, the decline in revenue is welcome. Yet the likelihood is that people who ought to be investing in personal pensions and life assurance are now holding back through fear of being gulled. Nor can such weakness in long-term private sector savings institutions be healthy when the government is actively shrinking state pension provision.

In the acrimonious debate about who is responsible for the recent sales scandals, too little attention is paid to the role of the Treasury. For the structure of the financial services sector is substantially a by-product of arbitrary tinkering with the tax system. The life assurance sector came to its present size and excessive cost base partly thanks to the existence of life assurance premium relief. When this was abolished by Mr Nigel (now Lord) Lawson in his first budget in 1984, the natural response ought to have included serious 'downsizing'. Instead, the industry applied its ingenuity to selling new and more sophisticated products.

Meantime Lord Lawson's urge to simplify the tax system in the interests of neutrality between different forms of saving ran foul of the pensions lobby, which rightly feared that he would seek to abolish tax relief for occupational pension contributions. Instead the government ended up extending a lifeline to the life companies by introducing a new form of tax-privileged personal pension.

Lawson's successors

Lord Lawson's successors have further muddied the waters with a variety of new contortions to the system. The limited logic that exists in such fiscal gimmickry as Personal Equity Plans (Peps) and Tessas lies in the move towards something akin to an expenditure tax treatment for savings. Yet the government has introduced a new income tax band and reduced the tax credit on pension fund dividends. The retreat from the Conservatives' original commitment to fiscal neutrality means that the taxation of savings and investment is more of a muddle than ever; and the only thing that is certain in pensions is that the majority of people will be thoroughly dissatisfied with their retirement income.

It is tempting for a notably 'political' chancellor like Mr Kenneth Clarke to regard the wider structure of the tax system as too recherché to merit attention. Yet this is especially absurd in relation to the taxation of savings and investment, the task of which should be to ensure that resources go to those outlets that offer the highest pre-tax returns. Failure to observe that principle carries a high price – witness how the long-standing tax privileges for home ownership encouraged the British conviction that wealth can be created by trading in houses rather than through enterprise.

Deposit accounts

The tax system also has an important bearing on inequality. The least wealthy in society hold most of their financial assets in interest-bearing deposit accounts. These are the most heavily taxed of savings vehicles. Not only would it be equitable to offer similar tax treatment to all savings vehicles; it would be politically advantageous. Since tax breaks for savings simply cause people to transfer money from one kind of asset to another, it would also be less inefficient.

Many of these issues were to have been addressed by Mr Stephen Dorrell, when he was at the Treasury, in a review of the taxation of savings and investment that has now been shelved. It was a victim of lobbying by City rentiers, worried about a possible loss of dividend income, and industrialists who thought they detected socialist heresy in the Treasury.

One lesson of Lord Lawson's tenure at the Treasury is that it is possible to spring radical tax changes in a piecemeal way via the secretive British budgetary process. But his experience with the pensions lobby suggests that more ambitious reform calls for a more democratic debate. So, too, with the deliberations of Mr Dorrell. His review badly needs resurrecting in another, more open, guise.

Penniless German coal

Europe's largest economy has no energy policy. One painful result is that German industries are burdened with electricity costs 50 per cent higher than those of their competitors in France, and nearly double those in the Netherlands. That might seem cause enough for urgent action. But the governing coalition's attempts to devise a plan are making no progress.

The current row has been triggered by Germany's need to phase out the current system of subsidising its uncompetitive coal industry by the end of this year, following a court ruling that it is unconstitutional. Currently, domestic coal is subsidised by the *Kohlepfennig*, or "coal penny", an 8.5 per cent levy on industrial and domestic electricity consumers. The subsidy, which bridges the price gap between domestic coal and cheap imports, will reach DM7.5bn this year, for an industry which produces just 14 per cent of the country's energy needs.

Pressure to revise energy policies is common to many industrial countries. Ageing coal industries compete poorly against gas and nuclear power, while environmental concerns about all forms of energy have grown. But in Germany the row has been particularly bitter, thanks to the strength of feeling about the decline of the once-powerful coal industry and to passionate green opposition to nuclear power. Politicians have also appealed to fears about security of electricity supply.

Energy tax

Two alternatives to the coal penny are on the coalition's table: to fund the industry from an energy tax, which would also encourage energy efficiency and discourage pollution, or to fund it directly from the budget. But the energy tax, espoused by the opposition Social Democrats (SPD), is opposed by industry and by the Christian Social Union (CSU), Chancellor Helmut Kohl's Bavarian sister party. They argue that it harms industry and unfairly penalises nuclear power which does not emit atmospheric pollution. On the other hand, the Free Democrat (FDP) proposal to finance coal from the budget is resisted by Mr Theo Waigel, the CSU finance minister, as it would push up the budget deficit.

Debate has stalled entirely ahead of elections in the SPD/Green governed state of North Rhine Westphalia, home to Germany's coal industry. But even beyond the elections, neither proposal looks politically achievable. Moreover, both are undesirable, as they fail to tackle the central problem of the uncompetitive state of the coal industry. Any workable energy policy will have to recognise that much of the industry needs to be phased out.

That would do no more than continue a process under way for more than 30 years. In 1957, the mines employed 607,000 workers; in 1990 just 106,000. Retraining miners, many of whom are young, is a better use of public funds than the coal penny.

Polluting element

Germany would then be free to increase imports of cheap coal. If the basic cost of energy were cheaper, Germany might then also be able to afford environmental taxes. But any decision to introduce such taxes should be driven by the desire to discourage pollution rather than raise money. If adopted, such taxes should be levied on the carbon content of fuel, the most polluting element, rather than on the quantity of energy.

Germany should also take care to give nuclear power a share of future energy generation which reflects its competitiveness – and atmospheric cleanliness – compared to other fuels. Germany's own nuclear power may gradually be made more expensive – or even be banned entirely – if environmental and safety concerns about reactors and waste disposal continue to grow. If that occurs, Germany should feel no qualms about importing nuclear-generated electricity from other countries which have fewer such concerns; the French nuclear industry has made clear that it would oblige.

Germany's current attempts to form an energy policy have become distorted by sentiments about protecting a dying industry which it cannot afford, and about security of supply. If it does not bring down the costs of domestic production, and refuses to import cheaper energy, it may save jobs in the coal industry but find that it has done so at the expense of other jobs elsewhere.

Time to polish up tarnished gilts

Reforms are on the way for the UK government bond market, say Graham Bowley and Richard Lapper

The gilts market – where the British government has borrowed money by issuing bonds for the last three centuries – could soon face its biggest overhaul since the Big Bang deregulation shook the City of London in 1986.

Investors and traders have long argued that the structure of the market, created when King William III needed cash to fight the French in 1694, is archaic and should be modernised. With national bond markets becoming more dependent on international investors, there have been signs that the UK is losing out to other more "user-friendly" European and North American markets: last year's crisis in world bond markets highlighted the limitations of the London gilts market.

The UK Treasury and the Bank of England, which operate the market, are expected within the next few months to announce measures to improve liquidity and make the market more accessible to investors.

"The growing internationalisation of the market since Big Bang, with the close involvement of foreigners in the gilt market and with the increasing use of foreign markets by domestic investors, has brought the idiosyncrasies and anomalies of the gilt market into closer focus," says Mr Roger Bootle, chief economist of HSBC Greenwell, a securities house in London.

At the core of the proposed reforms is an "attempt to make the market more efficient and reduce the cost of funding," says Mr John Shepperd, chief economist at Yamaichi International, the Japanese securities house.

Significant reforms were last implemented in 1986 when – as part of the Big Bang – it became possible for dealers in gilts to buy and sell on behalf of clients as well as trade on their own account. A limited number of so-called gilt-edged market makers, or gemms, were allowed to make a market in government bonds. Over the last ten years, however, as other governments have begun to modernise the way they raise and administer their debt, the UK has lagged behind.

Overseas investors have long held a significant percentage of UK government debt, a reflection of the UK's history as a big international trading nation. The latest Bank of England figures show overseas investors holding £39.2bn, or 18.8 per cent of all gilts. But in the last five years the UK has been forced to compete for funds with other national markets as institutional investors, especially from the US, diversify their investments.

Last year – with all bond markets falling sharply in response to rising US interest rates and struggling to retain the interest of their foreign investors – there were signs that some investors were being attracted to markets more open and liquid than the UK's. Overseas investors own 20.6 per cent of the French market, compared with an estimated 5 per cent 10 years ago.

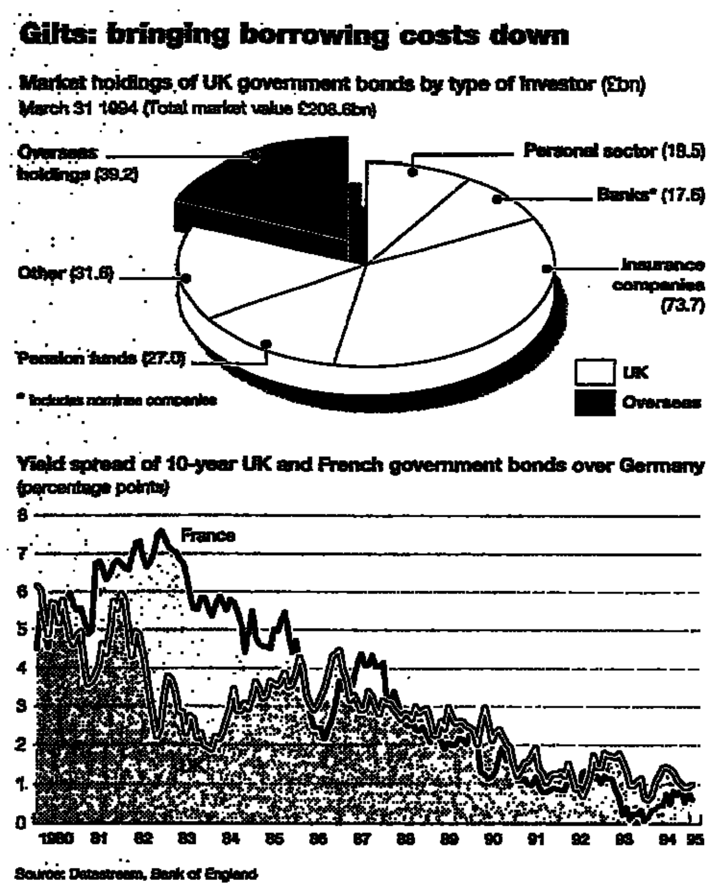
"A lot of funds in the Far East use France as a proxy for Europe," explains Mr Simon Briscoe, bond analyst at SG Warburg, the UK investment bank. "They can get in and out of it. It is a liquid market, clear and transparent."

The relative performance of national bond markets has direct implications for taxpayers in each country, since government bonds in an unattractive market have to offer higher interest rates to investors - which makes it more expensive for the government to borrow.

At present rates, the UK pays over 50 basis points more on its bonds than the French government. (A basis point is one hundredth of a percentage point). Mr Kenneth Clarke, the chancellor, claimed in his November budget that each basis point of reduced yield would eventually translate into £25m of savings on public spending.

Some of the spread between yields in France and the UK can be explained by differing market perceptions of the two economies, but some analysts suggest that 20 or more basis points of the difference could be due to the greater accessibility of the French market. "Gilts have to compete in an international market for funds and these anomalies discourage participation in gilts and accordingly raise the cost of gilt-edged funding," says Mr Bootle.

These pressures have led to increasing interest in reform among the market makers themselves, the Gemms. Over the past few months the Treasury and the Bank of England, each conducting its own review of the gilts market, have found the Gemms receptive to change. In late spring or early summer the treasury is expected to announce the conclusions of a review begun in November. Broadly, three sets of reforms are under consideration:



- An auction calendar – or what the treasury calls non-discretionary funding – may be introduced, even though the Bank of England is understood to be unenthusiastic, arguing that current arrangements allow it to be flexible and to meet demand for gilts as it arises. In a number of countries, including the US and France, the financial authorities announce the days on which they intend to auction specific government bonds and the amounts to be raised months in advance, constructing a calendar of issuance around which securities firms can plan their trading activities.

"There is strong pressure within the market for a formal auction timetable," explains Mr Shepperd. "One of the big complaints in the gilt market is this auction guessing game. Every month the market is left in limbo guessing when the next auction will come. That dries up liquidity and wrong foots people."

- A further innovation under consideration is the development of much bigger "benchmark" issues of gilts, which should stimulate liquidity. At present, some 75 gilt issues of differing maturities and dates are traded. Although there are a number of issues of £7bn to £8bn in size, the market lacks those very large issues of £10bn or upwards typically traded in European markets. The authorities may introduce a programme of gilt conversions, through which investors could be channelled into these bigger issues.
- Changes in the way gilts transactions are settled are also likely. At present most transactions are settled through the central gilts office in the Bank of England; other countries allow bond transactions to be settled overseas on international systems such as Euroclear and Cedel.
- Before these changes, the Treasury could announce details of a complicated but important area of reform in the next few weeks, establishing an open market in gilt sale and repurchase agreements known as repos. Repos are effectively loan agreements in which bonds act as collateral. An open market in repos will introduce much greater liquidity into the gilts market. In turn that will be attractive to investors and it will allow dealers to pursue trading strategies which are popular elsewhere.

At present, for example, the shortage of liquidity makes it difficult for dealers to short the market – selling stock which they do not own. The introduction of repos will allow traders to borrow gilts in order to deliver on "short" sales. At the same time repos allow investors to finance "long" positions more cheaply. Repos have been a feature of the US bond market since the early 1980s and are common in a number of other markets.

- In the longer term a further change is also on the cards, again influenced by practice elsewhere in the world – the introduction of a market in so-called "strips". Strips are created when a bond's coupon (the part of the bond bearing the interest payment) is separated from the rest of the bond (bearing the principal). This creates two new types of paper for investors, both of which are priced at a discount but pay no interest. These "zero-coupon" bonds are attractive to investors such as pension funds or insurance companies.
- Many of these changes may in turn require some modification in the way the UK government charges tax on bond transactions. At the moment, withholding tax is charged at source on interest earnings. There are exceptions: charities and pension funds, for example, are exempt from tax, as are foreign investors who hold a certain type of gilt, called Fotra (free of tax to residents abroad) gilts.

Again the UK is out of line with international practice, since most other governments do not deduct tax at source – but instead ask taxpayers to account for tax due in arrears. The UK arrangements have drawn criticism from foreign investors, who complain that their choice of gilts is limited only to Fotra gilts and if they wish to sell their gilts they must find a buyer who has similar Fotra status.

But change, however slow, is on the cards and there is now widespread recognition of the need for reform. Disparities between the UK and other international bond markets could undermine the chances of London maintaining its role as Europe's leading financial centre.

How the UK economy was set right

PERSONAL VIEW

Between 1970, when I left the Treasury, and 1992 when Britain was forced out of the European exchange rate mechanism, I was always grumbling furiously about the way the economy was being run.

This was not just to be awkward. I have consistently maintained that fiscal and monetary policy should aim to generate a steady expansion of total demand at a sustainable rate. Net export demand should grow fast enough to keep the balance of payments in order and domestic demand nicely balanced between consumption and investment. It sounds so obvious.

Instead, Britain has endured a succession of damaging boom-bust cycles, each more exaggerated than the previous one, as government after government has made a mess of managing the economy.

But the position was transformed between autumn 1992 and April 1993 when the whole stance of policy was heaved onto the right track with great skill and courage.

This came about partly through the devaluation of sterling. Although unintended, this was just what the situation required. The fact that it came in the middle of a severe recession meant that there was room for an export-led recovery, while the danger that the beneficial effects would be diluted by inflation was minimised.

But this was not the only important policy change that was instrumental in improving Britain's economic prospects.

In 1992, Britain was in the strange position that, although severely depressed, it was also seriously under-taxed. The revenues from North Sea oil had dwindled to almost nothing. Rather than planning to make good this loss, Lord Lawson, the former chancellor, had compounded the problem with his tax reductions.

The fiscal shortfall was not visible to the naked eye at this time because Britain was afflicted by a debt deflation – a collapse in demand caused, not by insufficiency of disposable income, but by the desperate attempt of nearly bankrupt householders and companies to repair overextended balance sheets as interest rates rose and asset values crashed.

But a careful reading of the figures made it clear, as debts became discharged, that a big rise in taxes would be needed. This was because the ratio of post-tax private income to national income had reached record and unsustainable levels.

The question was how soon would it be necessary or safe to put up taxes? If they were put up too soon, the recession would be aggravated. If they were not put up soon enough, Britain would have to face another boom-bust cycle.

It is time to recognise that the Lamont plan, executed by Kenneth Clarke, looks to have been just about right

It was Norman Lamont, the former chancellor, who took the bull by the horns in his April 1993 Budget. This proposed, in advance of any convincing evidence that the recovery had started, to raise taxes substantially – by approximately 3 per cent of gross domestic product – over two years.

For the first time in thirty years we had a macroeconomic policy based on a strategic view – a policy designed to lay the foundations for sustained, non-inflationary growth.

For once policy was neither reacting passively to events and pressures, nor, as during the period from 1979 to 1981, was it in the grip of maleficent dogma.

And so far, at least, it has worked. Most of the expansionary impetus over the last two years has come from foreign trade. Not only have exports risen, the share of imports in output has been falling.

It is time to recognise that the Lamont plan, executed by Kenneth Clarke, the chancellor, now looks to have been just about right with regard both to the scale and the timing of the tax increases.

There is still a long way to go before unemployment is down to civilised levels. Moreover it may be difficult to negotiate the next stage of the recovery successfully. The pressure of demand for manufactured goods is becoming excessive. This is in spite of the fact that manufacturing output is no higher than it was in 1974. Manufactured goods still account for over 80 per cent of visible trade, and unless the capacity shortage is smartly alleviated, we shall be back with a balance of payments constraint and renewed inflation within a year or two.

Furthermore, I am doubtful whether the fiscal shortfall has been fully made good; yet higher taxes or lower public spending will probably be called for.

All the same, the fact that we have a better chance now than at any time in the last fifteen years of hitting the gong is the consequence of the right policies at last having been followed. It is destructive as well as bloody ungracious not to give credit where it is due.

Wynne Godley

The author is a visiting scholar at the Jerome Levy Institute in New York and a member of the Treasury's panel of independent economic forecasters.

OBSERVER

Right ring for Telekom?

■ Rumours about who might take the hot seat at Deutsche Telekom, one of Germany's top five companies, have reached fever pitch with the news that Peter Mihatsch, head of telecoms at the Mannesmann engineering group, is going to have to share his job.

The newcomer is Peter Bross, a top postal ministry official who until recently managed the liberalisation of Germany's telecommunications market. A job-for-life civil servant until he had a tiff with postal minister Wolfgang Bötsch, Bross left the ministry in December, resurfacing at Mannesmann, where his inside knowledge of German telecoms will come in useful.

Although the tight-lipped Bavarian has been giving little away, Mihatsch is probably not thrilled about the job-share. He has been a success at Mannesmann, and could well be right for Deutsche Telekom. His hard-nosed style would certainly make the workers sit up; around half of the 230,000 employees are civil servants, accustomed to kid glove treatment.

Clairvoyant

■ More than 50 French worthies reflect over many months before producing their recommendations concerning a new stock market in Paris for small companies. With striking originality, they opt to call it *le nouveau marché*, the new market. So what happens in five or ten years' time, when the freshness has worn off? Maybe they know something we don't, and reckon it won't last that long.

Paper victory

■ Meanwhile, another radical decision from the French Trotskyite Workers Party yesterday. Mindful of the humble 0.38 per cent vote its forerunner, the Movement for a Party of Workers, garnered in 1988, it has decided – after a long debate, naturally – not to nominate anyone for the presidential election. At least it is kinder on the trees than the ecologists, whose paper consumption, with three candidates in the running, will be distinctly eco-unfriendly.

Count-ing house

■ If most people are meant to laugh all the way to the bank, Count Giovanni Auletta is laughing all the way from the bank. The portly Roman financier will pick up some L522bn ($323.21m) in cash for selling his controlling stake in the troubled Banca Nazionale dell'Agricoltura to the Banca di Roma group. He inherited control of the bank aged 25 in 1956 from his uncle, who in turn had acquired it with Mussolini's backing in the 1930s.

The count was astute at cultivating the right political friends and such friendships were credited with helping fend off hostile take-overs. These included Credito Italiano as well as Milan financier Francesco Michele of Finarte. The collapse of the old political order left him exposed. But he resisted Banca di Roma's embrace until the last moment last week. A combination of tempting price and the difficulty of finding fresh funds to recapitalise made him change his mind.

Virgins' lesson

■ Anyone spotting a group of Thai executives in the British Virgin Islands last week could have been forgiven for questioning what was wrong with the tropical beaches rather closer to home.

But the approach of 1997, and Hong Kong's handover to China, means that neighbouring Asian countries have suddenly developed an interest in sun-drenched off-shore centres. Malaysia has earmarked Labuan to try and tempt business its way. The Thais are looking at Phuket, but need some lessons on how to do it.

Hence a party including Pin Chakkapak, chairman of the Thai Association of Finance Companies, and Ekamol Kiriwat, secretary general of Thailand's Securities and Exchange Commission, turned up on the island of Tortola last week.

They met chief minister Lavity Stoutt, and heard how the BVIs (population: 16,000) combine being one of the world's nicest yachtie playgrounds with attracting company registrations – some 143,000 to date. Good to see a British dependent territory still has something to teach an Asian tiger.

Firing line

■ The London Capital Club (LCC) is one of the very few establishments in London to welcome women over the threshold. It's making efforts to respond to members' every whim. So when a female member asks for shooting lessons, her wish is granted.

A party of LCC faithful have now fixed a date with a former SAS officer at an underground range close to the Stock Exchange, for the purpose of lessons in wielding .38 and .44 pistols. One way of tackling the 'glass ceiling'...

Finishing touch

■ Saatchi & Saatchi is not the only company that has been seeking a new name. Kansallis-Osake-Pankki and Union Bank of Finland, two of Finland's biggest banks, are getting into bed together and are looking for something a bit snappier than KOP-UBF. If they intend to go on the takeover trail how about "Hanki Pankki"? which is Finnish for "acquire a bank".

The Financial Times

100 years ago

Speculation in Hungary
Budapest: With a view to checking the abuse of speculation, the Committee of the Budapest Stock Exchange has decided to introduce a number of regulations, the object of which is to exclude as far as possible unauthorised persons from the House and prevent irregular transactions. The new rules empower the Committee to impose disciplinary penalties ... in the case of operators offending against commercial proprieties or committing acts calculated to deprive them of the respect of their colleagues. Transactions made with the object of over-reaching or taking undue advantage of the uninitiated will not be recognised by the Bourse Arbitration Court.

50 years ago

Round the markets
By way of excuse for the extreme quietude of business in yesterday's markets, members said it was the glorious spring weather which diverted attention from such humdrum matters as stocks and shares and caused one of the slackest days the House has experienced for many a long month.

FINANCIAL TIMES
Tuesday February 21 1995

Nine presidential challengers start their campaigns in New Hampshire

Republican contenders shape up

By George Graham in Manchester, New Hampshire

Even though Mr Clinton's presidency still has nearly two years to run, his Republican challengers have already begun to jostle for his job.

They have descended on the tiny north-eastern state of New Hampshire in the last few days to start their campaigns for party primary elections which will be held in 12 months' time.

At the head of the pack of nine contenders crowding into the state is 71-year-old Mr Bob Dole, the Republican Senate majority leader, who has been beaming on his travels through New Hampshire. For him nine town meetings in three days have been worth the effort.

The tiny state, with barely a million people, has long held a key role in US politics. The reason for the arrival now of Republican heavyweights was that the local party had found a gap in the Washington calendar and hosted a dinner for prospective candidates.

Its primary election next February, in which voters register their preference for a candidate, provides the first real test of presidential hopefuls. Mr Dole, far ahead of his Republican rivals in the opinion polls, is well aware that a winner here often goes on to win the party's nomination.

New Hampshire's role could be more important than before. The primary process will be more concentrated this time around because California and a string of other states have brought forward their primary elections.

As a result, within five weeks of New Hampshire opening the primary season, 31 states – including the eight largest – will have chosen their candidates, and the race for the Republican nomination will essentially be over. US primaries are where parties choose their candidates in advance of the presidential campaign and poll in November 1996.

"I think we ought to move it up to tomorrow. That'd be all right with me," Mr Dole joked at a Republican party dinner in Manchester on Sunday night.

Mr Dole has a year-long wait to see if he can hold on to his early lead, or if New Hampshire will deal him defeat as it did in 1988, when he lost the primary, and eventually the Republican nomination, to George Bush, then vice-president.

Other contenders joined Mr Dole on Sunday at a party dinner in Manchester to pitch their candidacy to New Hampshire's party faithful. There was Senator Phil Gramm of Texas, boasting that he was "conservative before conservative was cool"; Senator Richard Lugar of Indiana touting his foreign policy expertise; Senator Arlen Specter arguing for abortion to be eliminated from the Republican platform; former Governor Lamar Alexander with a plan for Congress to meet only six months of the year; and Mr Pat Buchanan, the fast-talking television commentator who in 1992 scared the Bush campaign by picking up 37 per cent of the New Hampshire vote.

Other candidates are springing up as prolifically as the birches along the banks of Manchester's Merrimack River, but with chances just as slender. They include Congressman Bob Dornan, a fiery Californian who makes even Mr Buchanan look moderate, and Mr Alan Keyes, whose chief distinction is having lost two Senate races.

Given the "front-loading" of the primary process, candidates will have to raise a lot of money to be competitive. A $20m war chest is reckoned by most Republican political operatives to be the minimum for a serious contender. The need to raise funds means other potential candidates such as Governor Pete Wilson of California or Governor Tommy Thompson of Wisconsin do not have long to make up their minds.

Kissing time: Bob Dole meets supporters on the campaign trail AP

THE LEX COLUMN

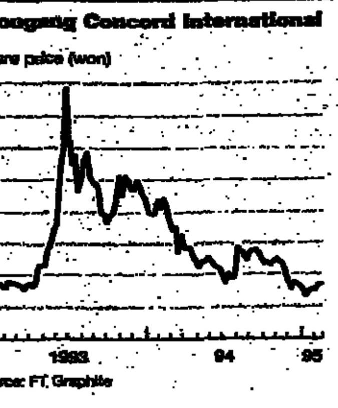
Deng's dying dynasty

Hong Kong has finally had a chance to view the likely changes in China after Deng Xiaoping, and it is nervous. The recent arrest of Mr Zhou Beifang demonstrates that the hard-earned China connections of Hong Kong's business leaders may prove worthless once Chinese patriarch Deng Xiaoping passes away. After all, Mr Zhou was one of the leading products of Deng's more creative approach to socialism. And his web of Hong Kong companies – with a value of close to £1bn – had the ultimate seal of official approval. Deng's son was a director.

Relationships with the so-called Red Capitalists, such as Mr Zhou, were the driving force behind Hong Kong investment in the mainland. Numerous Hong Kong companies saw their share prices soar after well-connected Chinese investors bought stakes; it was assumed that this would help these companies to secure preferential deals in the mainland. The value of these connections, however, is declining, hence the stock market fall.

However, any Chinese anti-corruption purge should have limited repercussions for the market. Mr Zhou may have attracted support from influential Hong Kong investors. But the political transition is sufficiently well-established to ensure there should be few surprises at the waning influence of the Deng dynasty. It is merely surprising that this influence should *not* at least remain until his death.

FT-SE Eurotrack 200: 1367.7 (-10.1)



Source: FT Graphite

Montedison

Sudden executive departures at Italian business have often spelt corruption or imminent collapse. So it is hardly surprising that Montedison shares fell yesterday. But the departure of Mr Guido Rossi as chairman of Italy's second-largest industrial group looks uncomplicated. Mr Rossi was brought in as a pillar of respectability to prop up a corporate structure that was collapsing under the weight of debt and scandal. Mr Rossi was able to refinance the group, leaving Montedison with greater corporate focus and lower debt. As Italy's leading corporate lawyer, he was never going to stay and manage the conglomerate.

The key question therefore, is whether Mr Rossi's job is done. Montedison will make its third consecutive net loss in 1994, but this includes substantial restructuring costs. The chemicals business is benefiting from rising plastics prices,and 1995 should show a return to profits for the group. The plastics joint venture with Shell further improves its longer-term prospects, and Mr Rossi would have no role to play in this.

The main worry is that Mr Rossi's departure may presage a merger between Montedison and Ferruzzi Finanziaria, its major shareholder, on terms that sell other shareholders short. Mr Rossi opposed any talk of a merger. Some observers think the banks, which largely own Ferfin, will now push for such a deal. But Montedison's other shareholders are in a position to reject any merger. Given the group's improving outlook, they have much to fight for.

C&G/Lloyds

Cheltenham & Gloucester's members should consider carefully whether yesterday's proposed sale to Lloyds matches their interests. True, the alternative of flotation makes little sense: its market capitalisation would be less than the £1.8bn on offer. And its shares would probably under-perform given the mortgage market's depressed and increasingly competitive nature. Besides, under present legislation there would be no prospect of shareholders enjoying a bid premium for five years.

However, the price would be considerably higher if C&G put itself up for auction. The premium of little more than 20 per cent to potential flotation value is niggardly. The main impediment to an improved price is that it would result in drastic cost-cutting, most likely to the detriment of C&G's management. But despite the low premium, the sad conclusion is that most members will accept the proposal, take the money, and run.

For Lloyds, the acquisition makes eminent financial sense. The deal will be earnings enhancing, although given Lloyds is paying cash that is no great achievement. The move is probably more sensible than buying back its own shares since Lloyds is buying C&G at 1¼ times book value against its own shares valued at 2½ times. However, the rationale for Lloyds of reinforcing its position in the UK mortgage market is less apparent. The combined operation obtains economies of scale and funding, but C&G does not plan to increase revenues by cross-selling other financial services. Lloyds may not have over-paid, but it needs to convince shareholders it is not heading up a blind-alley.

City regulation

The City of London has long been searching for an effective way of investigating and punishing insider dealing. Whatever the outcome, one of the by-products of the current inquiries into Swiss Bank Corporation's controversial dealings in electricity securities could be the development of a new model for addressing such cases. In addition to inquiries by the Department of Trade and Industry, the Securities and Futures Authority which regulates the securities industry is also examining the matter.

The advantage of SFA involvement is that the burden of proof required in its inquiries is not as great as those required for the *DTI*. This means the SFA is freer to take action; the DTI has to prove a case beyond reasonable doubt. The penalties available to the SFA, of course, are not as tough as the full sanctions of criminal law. But its contracts with its members give it power to fine them unlimited amounts. Stiff fines – ideally the disgorgement of profits plus a premium – could be an attractive way of handling many insider dealing cases.

However, before such a model can be widely used, two things need to be clarified. First, the UK's multiplicity of regulators must work out a system for deciding which of them should handle a particular case; otherwise, defendants could find themselves fighting on multiple fronts. Second, the SFA can only handle cases involving firms or individuals that it regulates. If its approach is to be used more generally, new legislation will be needed.

Additional comment on Pilkington, Page 22

Ulster document to gain approval today

By John Kampfner in London

The British and Irish governments will give final approval today to the framework document for Northern Ireland amid unionist claims of fresh evidence that it will undermine their role in the province's affairs.

The document – intended to set guidelines for all-party negotiations – will be launched tomorrow in Belfast. Unionist leaders said again yesterday that they would have nothing to do with it.

However, it emerged last night that the leaders of the province's three main parties – Mr James Molyneaux of the Ulster Unionists; the Reverend Ian Paisley of the Democratic Unionists; and Mr John Hume of the mainly catholic SDLP – had met at Westminister, suggesting the unionists had not ruled out some form of talks.

The first part of the framework document on proposals for a Northern Ireland assembly will be unveiled by Mr John Major, the UK prime minister. He and Mr John Bruton, the Irish premier, will also announce proposals for cross-border bodies and for new arrangements between London and Dublin.

It is these two areas which have most alarmed the unionists, giving rise to fears that the assembly will have limited powers – part of what they see as the inexorable march to a united Ireland. They point to clauses in the document which they say will give Dublin a strong say in the workings of the legislature.

However, British officials say many of the areas the unionists call objectionable were agreed during talks ahead of the Downing Street declaration of 1993.

Peso rallies strongly as Bank of Mexico raises interest rates

By Leslie Crawford in Mexico City

The Bank of Mexico yesterday sharply increased short-term interest rates in an attempt to kill inflationary expections and shore up the value of the peso.

The central bank's intervention in the secondary markets raised interest rates on short-term bank paper to more than 47 per cent against 38 per cent at the close on Friday.

The central bank officials said they were aiming for a 10 percentage point increase in short-term interest rates, to be maintained for a "transitory period" of a few weeks.

The move helped the Mexican peso to rally strongly yesterday, though trading was quieter than usual because New York markets were closed. It was being traded at 5.54 pesos to the dollar against 5.725 at the Friday close. It fell below six for a time last week.

"At present, debtors are being penalised by very high interest rates, which reflect the uncertainty surrounding inflation this year," the central bank said yesterday. "If we succeed in dampening inflationary fears, interests rates will fall over the medium to long term."

Foreign bankers in Mexico City said the central bank's move had signalled its commitment to curtail inflation.

To counter the short-term rise in the cost of credit, the Bank of Mexico has proposed to introduce the indexation of interest rates. The plan, which aims to lower the cost of credit over time, would create what would be called a Unit of Investment. This would be adjusted daily on the basis of the inflation differential between Mexico and its main trading partners.

This in turn could allow banks to lower interest charges by using the Unit of Investment to factor out inflation, while it would also protect the real value of savings.

The indexation of interest rates was successfully used in Chile – along with a managed floating of the exchange rate – following a financial collapse in 1982. Chile's Unit of Development is still in use, though it and associated policies are held by some to have been the reasons why inflation has been so slow to fall there.

Commercial banks were due to present their reaction to the indexation plan at a meeting today.

Dinosaurs in peril, Page 14
Letters, Page 14

HK stocks fall after arrest

Continued from Page 1

sell holdings in companies with mainland links. The Hang Seng index closed down 136.27 points, or 1.7 per cent, at 7,906.74.

Trading in the companies is expected to resume today.

Mr Zhou's father, Mr Zhou Guanwu, who resigned unexpectedly last week as chairman of the parent Shougang Steel (Capital Steel), was a close friend of Mr Deng. Mr Deng Zhifang, the second son of Mr Deng Xiaoping, is chief executive of one of the Shougang units in Hong Kong.

The five companies said that the investigation of Mr Zhou was "his personal matter".

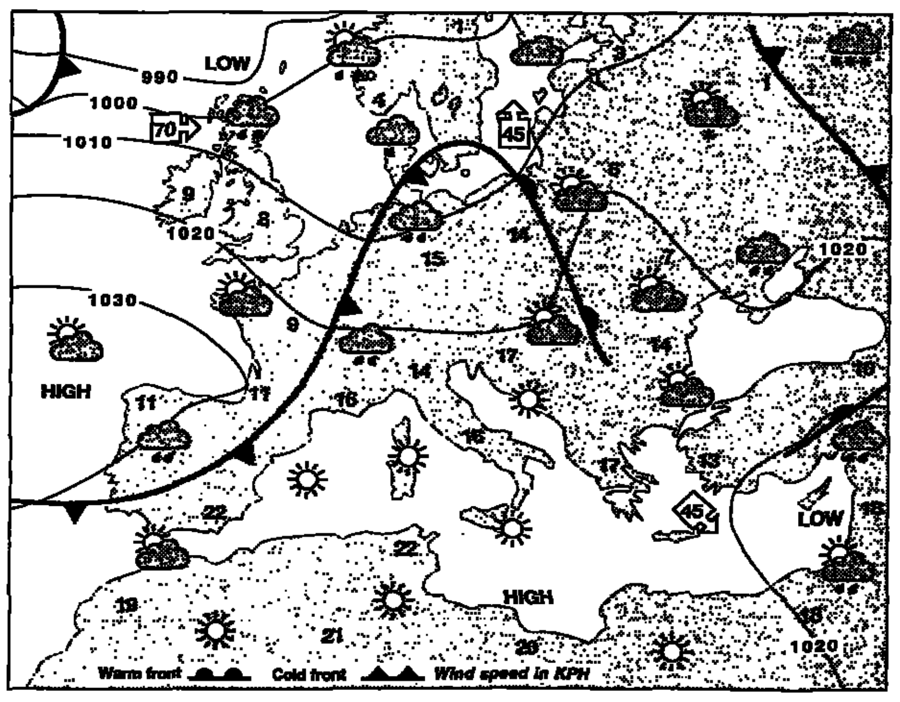
FT WEATHER GUIDE

Europe today

A broad frontal zone will cause rain from northern Spain to southern Scandinavia. The eastern edge of the front will move mild air across central Europe. Rain will move east leaving room for afternoon clearing over western France and the Low Countries. The British Isles will be windy with blustery showers, mainly over northern Ireland and Scotland. Eastern Europe and the central Mediterranean will be dry and mainly sunny but lingering low pressure near Cyprus will cause showers in the Middle East. Scandinavia will be mainly dry except for showers near the Norwegian coast. Snow flurries will persist over northern Finland. Southern Sweden and the Baltic Sea will have rain during the evening.

Five-day forecast

Most of Europe will continue unsettled. The Mediterranean will be mainly dry with just the odd shower. The British Isles, western Scandinavia and the west of the continent are likely to be wet and windy. It will turn slightly cooler later in the week with an increasing risk of thunder with small hail and wet snow near the North Sea and in Scandinavia.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	fair	24
Accra	sun	32
Algiers	sun	22
Amsterdam	rain	8
Athens	sun	17
Atlanta	fair	10
B. Aires	sun	31
B.ham	fair	6
Bangkok	fair	34
Barcelona	cloudy	17
Beijing	fair	5
Belfast	cloudy	6
Belgrade	sun	17
Berlin	fair	15
Bermuda	shower	23
Bogota	fair	21
Bombay	sun	32
Brussels	rain	9
Budapest	sun	14
C.hagen	rain	7
Cairo	fair	18
Cape Town	sun	27
Caracas	fair	29
Cardiff	cloudy	7
Casablanca	fair	19
Chicago	sun	0
Cologne	rain	12
Dakar	sun	26
Dallas	sun	20
Delhi	sun	24
Dubai	fair	23
Dublin	cloudy	7
Dubrovnik	fair	0
Edinburgh	cloudy	6
Faro	fair	18
Frankfurt	cloudy	14
Geneva	rain	12
Gibraltar	fair	19
Glasgow	rain	6
Hamburg	rain	12
Helsinki	cloudy	3
Hong Kong	rain	18
Honolulu	fair	27
Istanbul	sun	11
Jakarta	thund	30
Jersey	cloudy	8
Karachi	fair	27
Kuwait	sun	22
L. Angeles	shower	26
Las Palmas	fair	23
Lima	cloudy	29
Lisbon	cloudy	16
London	fair	8
Lux.bourg	rain	10
Lyon	rain	14
Madeira	fair	19
Madrid	cloudy	14
Majorca	cloudy	18
Malta	sun	17
Manchester	cloudy	6
Manila	fair	31
Melbourne	sun	27
Mexico City	fair	23
Miami	fair	26
Milan	fair	14
Montreal	snow	-6
Moscow	cloudy	1
Munich	fair	15
Nairobi	fair	27
Naples	fair	18
Nassau	fair	27
New York	shower	7
Nice	fair	15
Nicosia	sun	15
Oslo	fair	2
Paris	shower	9
Perth	sun	37
Prague	fair	14
Rangoon	sun	34
Reykjavik	fair	2
Rio	shower	28
Rome	sun	16
S. Frsco	sun	22
Seoul	sun	5
Singapore	shower	31
Stockholm	cloudy	4
Strasbourg	rain	15
Sydney	shower	24
Tangier	sun	18
Tel Aviv	shower	20
Tokyo	fair	9
Toronto	sun	-3
Vancouver	fair	12
Venice	fair	12
Vienna	fair	14
Warsaw	cloudy	10
Washington	shower	8
Wellington	rain	20
Winnipeg	cloudy	4
Zurich	fair	12

هكذا من الاصل

FINANCIAL TIMES
COMPANIES & MARKETS
Tuesday February 21 1995

IN BRIEF

Norsk Hydro lays in record profits

Norsk Hydro, Norway's largest publicly quoted company, reported record profits for 1994. The group posted 1994 pre-tax profits, before minority interests, to NKr6.53bn ($997m) from NKr4.74bn as net profits rose sharply to NKr4.04bn from NKr2bn. Page 18

Saudi and Gulf banks tread water
Saudi and Gulf private sector commercial banks struggled to maintain profits last year in the face of reduced government spending because of flat oil prices. Page 20

Echo Bay gold output lose lustre
Echo Bay Mines, one of North America's biggest gold and silver producers, expects its gold output this year to slip by about 5 per cent from the 817,946 troy ounces produced in 1994. It would be Echo's second successive year of falling output. Page 21

Tokyo SE seeks more foreign listings
The Tokyo Stock Exchange is stepping up efforts to encourage Asian businesses to list on its flagging foreign companies section. Page 20

Zurich Insurance sets sights on Germany
Emboldened by a few months running Switzerland's first telephone-based direct insurer, Zurich Insurance is set to attempt a similar assault on Europe's biggest motor insurance market – Germany. Page 20

Crunch time for breakfast cereal makers
With new markets in eastern Europe and developing countries and the trend away from cooked breakfasts in the west, breakfast cereal makers should be experiencing a new dawn. Instead the two biggest US manufacturers, Kellogg and General Mills, feel in need of fortification.
Page 21

Coats buy boosts engineering presence
Coats Viyella, the UK's largest textile group, is boosting its precision engineering business with the £65m ($100.75m) acquisition of Bace Manufacturing, a US-based private company. The move will increase capacity at Dynacast, the company's international precision engineering division, by about 33 per cent. Page 22

Lloyds to pay 20% acquisition premium
Lloyds Bank in the UK is paying a premium of just over 20 per cent of Cheltenham & Gloucester's potential flotation value to acquire the British building society. Page 22

Saatchi directors may win share bonanza
Directors of Saatchi & Saatchi, the UK advertising group, could be awarded share options valued at up to eight times their annual salaries if shareholders approve new pay schemes on March 16.
Page 22

New setback for Molins in patent battle
Molins, the UK precision engineering group, has partly lost another round in an eight-year patent battle. The group said the United States Court of Appeal affirmed an earlier court decision that the company's patents on its Flexible Manufacturing Systems were unenforceable. Page 22

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Falls			
Bay Hypo Bank	388.5	–	4.5
Linotype	349	–	6
Mannesmann	423.5	–	6.3
Porsche	638	–	12
Rheinmetall Prf	215	–	5
Volkswagen	406.5	–	7.4
LONDON (Pence)			
Rises			
Baldwin	135	+	17
Go-Ahead	182	+	8
Kleeneze	125	+	7
Low & Bonar	408	+	27
Falls			
Eng China Clays	354	–	21
Shanks	143	–	12
TORONTO (C$)			
Rises			
Cambra Foods	9¾	+	¼
Diamond Fields	17¼	+	1⅛
Maple Leaf	41¼	+	1⅛
Westwood Can	29	+	1
Falls			
Accugraph Cl A	7¼	–	¼
General Motors	56¾	–	1¼
PARIS (FFr)			
Falls			
BIC	697	–	17
Ecco	600	–	15
Eridania B S Cl	656	–	31
Interbail	347	–	8
Schneider	353	–	8.3
Salomon	323.5	–	9.5
TOKYO (Yen)			
Rises			
Hokuto Foods	686	+	25
Japan Mil & Chm	467	+	22
Falls			
Asahi Chemical	661	–	21
CSK	2670	–	120
Hiroshima Bank	571	–	28
Tsubakimoto Chain	494	–	25
HONG KONG (HK$)			
Rises			
Four Seas	1.93	+	0.11
Falls			
Cheung Kong	31.2	–	0.7
Citic Pacific	17.9	–	0.95
Guoco Group	28.85	–	0.75
Hang Seng Bank	44.7	–	1.2
Swire Pac A	48.4	–	1.0
BANGKOK (Baht)			
Rises			
Amer Standard	400	+	26
Thai P & C	169	+	14
Turkex	45	+	4
Utd Flour Mills	60.5	+	5.5
Falls			
Property Per W	32	–	6.25
Siam Com Life	51	–	6.5

New York closed. Toronto prices at 12:30.

Rossi calls it a day at Montedison

By Andrew Hill in Milan

Mr Guido Rossi stepped down yesterday as chairman of Montedison and Ferruzzi Finanziaria (Ferfin) after 20 months in which he has helped drag the linked Italian holding companies back from the edge of collapse.

"The emergency is over and the restructuring plan is being carried out with precision," Mr Rossi said, explaining that he had fulfilled his mandate to rescue Ferfin and Montedison from the effects of corruption and alleged mismanagement.

There had been rumours that Mr Rossi would leave as early as last summer, when the immediate threat to the two companies had already been averted, but yesterday's announcement was unexpected. Directors unanimously agreed that Mr Luigi Lucchini, 76, chairman of the private Italian steelmaker of the same name, would take over at the head of both Montedison and Ferfin.

"The problems of management and industrial strategy of a large private-sector Italian group must now be entrusted to those with different professional experience from my own, more in tune with new demands," Mr Rossi said.

Mr Rossi, who is 63, was brought in as chairman of the two groups in June 1993, as the full extent of the problems facing Ferruzzi-Montedison became clear. He and Mr Enrico Bondi, who took over as managing director, inherited a burden of gross debt of more than L30,000bn ($18.6bn). They helped persuade the group's bank creditors to accept a complex rescue plan, including the rescheduling of debt and the launch of rights issues, which saved the companies from bankruptcy.

Ferfin now owns just under 30 per cent of Montedison, which in turn controls companies in three main sectors: agroindustry, through Eridania Béghin-Say, the quoted French company; energy, through Edison, which is listed in Milan; and chemicals, through Montecatini.

The industrial part of the plan, which runs until 1997, involves hiving off non-core businesses and strengthening these three main pillars. Montedison's results for 1994 should show the impact of this process, although in the last two to three weeks indications that the group will not break even after tax and minority interests have depressed the share price.

As Montedison has begun to pull out of recession, its management has come under pressure from certain investors to accelerate or diverge from the restructuring plan, either by merging Ferfin and Montedison or selling off core interests, such as Eridania Béghin-Say.

A merger would be in the interests of the main creditor banks, which converted much of their debt into equity, and are now among the biggest investors in Ferfin, whereas the Montedison share register is dominated by new shareholders, including investment funds. Ferfin shares have underperformed those of Montedison since the beginning of last year.

Mr Rossi has defended the original plan and timetable, but there was no evidence yesterday that he had fallen out with shareholders. Mr Rossi said he would return full-time to his corporate law practice. He has maintained a parallel law career while heading Ferfin and Montedison. For example, he was one of many advisers to Credito Italiano, the Italian bank, on its successful bid for Credito Romagnolo of Bologna which finished last month.

The announcement had little impact on the two groups' shares. Ferfin's price fell by L32 to L1,091, and Montedison's price dropped by L9 to L1,218.
Lex, Page 16

Russian oil group to launch share issue

By John Thornhill in Moscow

Surgutneftegaz, Russia's second biggest oil producing company, is to press ahead with the development of two new fields financed by a share issue aimed at domestic investors.

"In the coming two years we intend to stabilise the company's oil extraction and in 1997 achieve a gradual increase," said Mr Vladimir Bogdanov, general director, who yesterday staged Surgutneftegaz's first press conference in its 30-year history.

Last year Surgutneftegaz's oil output fell 10 per cent to 34.2m tonnes as the company suffered from the country's economic upheavals.

But Surgutneftegaz still accounts for 11 per cent of Russia's oil production and intends to develop the Tyan and Konitlor fields, which it estimates contain about 360m tonnes of reserves.

Surgutneftegaz is seeking to raise about Rbs200bn ($45.9m) from Russian private investors through large-scale share sales. Mr Bogdanov said the company had studied conditions in international capital markets but concluded that foreign portfolio investment was too "speculative" for its purposes.

The issue's timing and the amount raised will be complicated by the lack of stock market infrastructure in Russia. To raise the money, Surgutneftegaz is having to create a regional network of dealers, develop a depositary and registry system and provide detailed information about its finances and operations.

Surgutneftegaz's approach to raising finance contrasts with that of Lukoil, Russia's biggest oil producer, which is attempting to sell 15 per cent of its shares on international markets.

The Russian stock market has fallen sharply this year because of the uncertainties caused by the Chechen conflict and the aftermath of the Mexican financial crisis.

Other Russian companies which have tried to raise money from domestic retail investors have met with little enthusiasm. But Mr Bogdanov said he believed the public would be attracted to concrete investment projects.

A Russian accounting firm, Rosexpertise, is auditing Surgutneftegaz but the company also intends to hire one of the big six western accounting firms to produce accounts which comply with international standards.

Andrew Fisher finds that next year's huge Deutsche Telekom sale has focused minds

Germans want a better deal on new issues

With one of the world's biggest ever equity issues looming on the horizon, Germany's record in bringing new companies to the stock market is coming under close scrutiny.

The country's performance in initial public offerings is hardly one to boast about, although a marked upturn is expected in 1995. Last year, only 11 companies came to the market to raise DM1.2bn ($780m). The figures for 1993 were no higher. Yet the Deutsche Telekom issue, due in mid-1996, will total DM15bn, more than the total new issue volume in the 1980s.

To succeed, it will have to raise equity awareness in Germany, where half the Telekom shares will be sold. "It's so big that small investors and housewives need to be alerted," says Mr Hendrik Borggreve, head of the German operation of Kleinwort Benson, the UK investment bank. "Everyone must think that if they buy these shares, it will do them good."

The Telekom issue should also benefit the market by encouraging more companies to raise equity. Says Mr Heinz Steffen, senior analyst at Schröder Münchmeyer Hengst, the Frankfurt bank owned by Britain's Lloyds Bank: "Deutsche Telekom could give Mittelstand (medium-sized) companies something to consider if they want to come to the market." The new issue scene certainly needs more solidly based companies; some recent issues have been very small.

More immediately, the impending Telekom sale – which will dominate the market – should accelerate issues now being planned. Some large deals are already in the pipeline. This year's largest new issue will be SKW Trostberg (a chemicals company owned by Viag), which could raise up to DM1bn. Another, SGL Carbon (owned by Hoechst), should exceed DM500m, with Schwarz Pharma raising about half this much. Thus the new issue total in 1995 should be well over double that of 1994.

Last year's biggest issue was Hanover Re, the reinsurance group, which raised DM530m. The shares did not receive a rapturous reception and have slid 17 per cent below the offer price. The most successful issue was Fielmann, the optical chain, which raised DM230m and whose shares have risen by 18 per cent.

"Overall, the 1994 initial public offerings present a sobering balance," Schröder Münchmeyer Hengst said in its annual new issues report. They were thin on the ground and their price performance was mostly weak.

With the stock market down by 7 per cent in 1994, some previous issues also did badly. As well as bad trading news from earlier high-flyers like Krones (bottling machinery) and Weru (windows and doors), SMH said owners of smaller companies sold shares for tax reasons to reduce the value of their unlisted holdings.

"Under these circumstances, the 1993 [new issue] stocks performed even more disappointingly in 1994," SMH commented. The worst performers were Escom (computers) and DB-Soft (software); shares in both companies fell by some 40 per cent. Experiences like these hardly increase investors' confidence in German new issues. What they seek is more issues like Wella haircare and SAP software, growth companies with an impressive share performance.

Compared with other countries, Germany's new issue performance is "pathetic and unsatisfactory", says Mr Rüdiger von Rosen, head of the German Share Institute, which promotes equity awareness. Between 1987 and 1993, some 1,900 US companies obtained listings on the New York and American Stock Exchanges and 3,000 on Nasdaq. The listing figure for the UK was 1,106 and for Japan 384.

But German new issues totalled a mere 146. Had such market conditions prevailed in the last century, some of today's top German companies might not exist, Mr von Rosen said provocatively. "If they had experienced the same financial hurdles as today's innovators, the industrial revolution might never have occurred."

Yet despite the slow pace of German new issues, many businesses want to know more about the benefits and risks of going public. "There is lots of appetite," Mr Borggreve says. "When we talk to potential candidates, they are all very keen to learn how it is done."

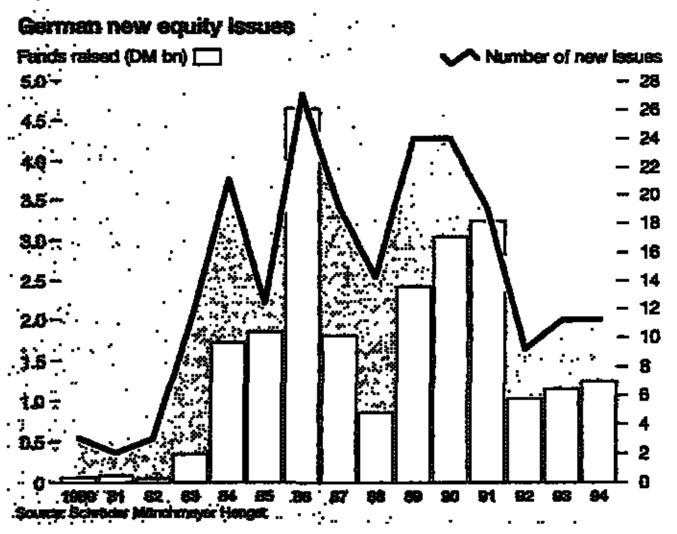
As the flotation plans of SKW Trostberg and SGL Carbon show, bigger issues are on the way. "Such companies are not dependent on one market and can ride through the bad years," says Mr Christian Sundermann, new issues specialist at Westdeutsche Landesbank. "Smaller companies are often more vulnerable."

The potential for a renaissance, as in the mid-1980s, is enormous. The country's many Mittelstand companies need new capital for expansion in the increasingly integrated European market. Bigger concerns are more prepared to float off non-core activities in order to concentrate on their basic activities. With such signs of movement on the new issue scene and the prospect of continuing economic recovery, Mr *Rolf Michael Betz, an investment* banking director at DG Bank, is optimistic about 1995. "Companies preparing initial public offerings will be able to show improved performance and not just projections." But as he and other bankers stress, sensible pricing is vital to success.

Greater use of bookbuilding, in which institutional investors interest is assessed in advance, should improve the structure of the German new issue market, he adds. As the concept of shareholder value slowly gains ground in Germany, more investors should be encouraged to put money into new issues and more companies are likely to take the equity route seriously.

In the past, German banks' eagerness to attract new issues business, on which fees are high, has often led them to overprice issues to please company, often family, owners. Some issues are still awkwardly structured, so the issuer benefits more than the shareholder. Too many companies issue preference rather than voting stock and keep majority control. Too often, Mr Steffen says, "the shares go to the investor and the value to the family". In future, investors will be seeking a better deal.

A mountain to climb



Source: Schröder Münchmeyer Hengst

David Wighton reports a surprising UK appointment

Rudd looks to Pilkington to provide a new buzz

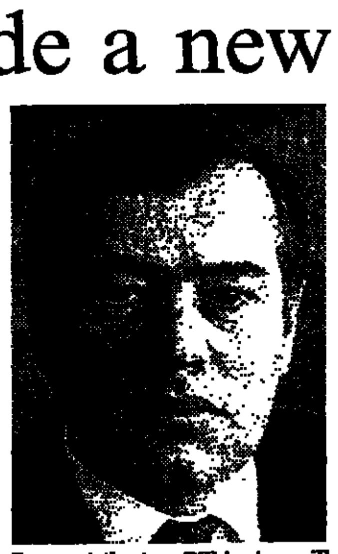
There is no disguising the fact that Mr Nigel Rudd is pleased to be chairman-elect of Pilkington. The world's biggest glass maker yesterday confirmed that Mr Rudd would take over from Sir Antony Pilkington in July, becoming the first chairman to come from outside the family for 170 years.

A man not troubled by false modesty, Mr Rudd, 48, is proud of his achievement in building Williams Holdings into a £2bn ($3.1bn) manufacturing group in little more than a decade. But he clearly believes that the top job at Pilkington, a company worth half as much as Williams, would put him in a different league.

Pilkington is one of the UK's handful of world-class manufacturing companies and it will give Mr Rudd a much higher profile than his other chairmanships at Williams and East Midlands Electricity. "It is a very prestigious position and I will certainly be taken more seriously. People won't be able to say: 'He just got lucky in the 1980s. What does he know about business?'."

Mr Rudd was Sir Antony's own choice. A self-confident, self-made man who left school at 15, Mr Rudd could hardly be more different from the patrician and somewhat diffident Sir Antony. While Sir Antony was widely criticised for being slow to cut costs at the onset of the recession Mr Rudd has never been afraid of being tough, most notably when he led the boardroom coup that saw his friend, Mr John Harris, ousted as chairman at East Midlands.

But Mr Rudd and Sir Antony have at least one thing in common – a commitment to manufacturing. "I love manufacturing companies. I really get a buzz about running factories and making things," says Mr Rudd, who qualified as an accountant at the age of 20 but sees himself as "a manufacturing man".



Room at the top: Pilkington will give Nigel Rudd a higher profile

Mr Rudd says that Sir Antony first approached him more than two years ago but that it would have been the wrong time to reduce his commitment to Williams. At that stage he believes the City of London had still not recognised the changed nature of the company, which had moved away from the "buy anything" approach of the acquisitive conglomerates in the 1980s to a more focused strategy of building on its core businesses.

But with the operational management in the capable hands of Mr Roger Carr and large acquisitions off the agenda, Mr Rudd believes Williams can now spare him. "It further demonstrates the way Williams is going. If we were planning a mega-bid I would not have accepted the job," he says.

Though Williams watchers were not expecting fireworks Mr Rudd's move still met with a lukewarm reaction from analysts. "If Williams is not interesting enough for it to be a full-time job perhaps it will prove an equally dull investment," said a leading analyst. Mr Rudd will be considerably less than full-time at Williams, at least to begin with. He expects to spend more of his time on Pilkington, in particular visiting its operations in Europe, the US and Latin America.

Mr Rudd believes he will be able to help Pilkington's communications with the City and investors, though he stresses he will not be "one of the gin-and-tonic merchants who spend all their time at cocktail parties".

"I am also very, very good at *team building," he says, although* the City appears happy enough with Pilkington's management under chief executive Mr Roger Leverton. "It is very different from the situation Nigel Rudd faced at East Midlands Electricity," observed one analyst.

"Pilkington did have problems, not least the paternalistic culture of which Sir Antony represented the last bastion. But it now has the right strategy and the right people."

Mr Rudd says: "Once the management is in place the chairman's job is mostly one of encouragement. I will have nothing to do with day-to-day management but if I think the chief executive or the finance director are doing the wrong thing I will tell them."

He is attracted by the high profile that Pilkington will give him. A member of the Confederation of British Industry Economic Affairs Committee, he enjoys the public stage.
Lex, Page 22

MGM expects European earnings to reach £26m

By Andrew Jack in Paris

The European MGM cinema network controlled by Crédit Lyonnais, the loss-making state-owned French bank, is expected to generate profits of about £26m ($41m) in the 1994 financial year.

The figures, in line with expectations, should help boost the allure of the cinemas – in the UK, Ireland, the Netherlands and Denmark – ahead of the deadline for preliminary bids, due by the end of next week.

Crédit Lyonnais hopes to receive about FFr1.7bn ($328m) from the sale of the network. The sale is part of the bank's strategy of focusing on core operations and recouping substantial losses of FFr6.9bn for 1993 and FFr4.5bn for the first half of 1994.

The profit figure used to assess the network's performance – comprising earnings before interest, tax and depreciation – will be about £22m for the UK and Ireland for the 12 months to December 31 1994, against £19.2m in the previous year.

The figure in the Netherlands is expected to drop to Fl 7.6m ($4.55m) from Fl 9.8m in 1993, reflecting rationalisation and extraordinary expenditure. Earnings on the Danish business should contribute about another £1m.

It also emerged yesterday that only five, or fewer, bidders out of about 50 serious contenders identified are likely to be selected for the short-list, which will be drawn up when offers close on March 3.

The 1994 accounts have not yet been made public, as the figures are still being finalised. They will form part of the consolidated results of Crédit Lyonnais when it publishes its full-year results, which are expected in late March.

The bank acquired the MGM network in 1992 when Mr Giancarlo Parretti, the Italian financier who first acquired the group, defaulted on repayments on a $1bn loan.

Crédit Lyonnais subsequently restructured the group and sold it in 1993 for $210m to Bearsphere, one of its own subsidiaries.

Under the terms of the public auction announced at the start of this month, the sale of assets is being handled in three parts: its 102 traditional cinemas and 18 multiplexes in the UK and Ireland; 21 cinemas and the Netherlands' only multiplex; and a 50 per cent stake in Nordisk Film, which controls nine cinemas in Denmark.

There have already been more than 100 requests for information on the MGM European network, about half of which are being taken seriously.

Bikuben tumbles to loss of DKr1bn

By Hilary Barnes in Copenhagen

Bikuben, the flagship of the Danish savings bank movement, yesterday reported a loss of DKr1.05bn ($179m) in 1994, against a profit of DKr175m in 1993.

The board recommended that no dividend be paid.

"It was a really dreadful result," said Mr Henrik Thufason, who was called called in last autumn to take over as chief executive at the ailing bank.

Bikuben has already introduced a programme to reduce costs by DKr200m a year through a cut in staff of 600, to 4,300, over two years. It is aiming to generate a profit of DKr700-DKr800m by 1997.

Last year's performance was marred by an unrealised loss of DKr746m on securities compared with unrealised gains in 1993 of DKr1.28bn.

Loss provisions, however, were slashed to DKr1.02bn from DKr2.69bn in 1993.

The bank also carried net extraordinary costs of DKr478m in 1994, which included redundancy payments.

The capital adequacy ratio at the end of the year was 12.25 per cent, but a series of poor years has reduced equity capital by 44 per cent, to DKr3.79bn at the end of last year from DKr5.76bn in 1991.

Total assets at the end of 1994 were DKr85.7bn, down from DKr100bn a year earlier.

Details of new market unveiled

By Andrew Jack

Details of a new stock market aimed at small, fast-growing companies across Europe were unveiled yesterday by the Paris bourse.

The French market, due to open at the start of next year, will be aimed at largely high-technology companies with assets of at least FFr20m ($3.8m) and capital of FFr8m. It hopes to attract at least 30 businesses during its first year, and thereafter up to 50 annually, including some from other countries in the European Union and elsewhere in Europe.

Plans for the *nouveau marché* come only days after the London Stock Exchange launched its Alternative Investment Market for small companies, and ahead of plans being discussed by individual European stock exchanges and by the European Venture Capital Association for a market across the continent.

A panel of senior market professionals and regulators, chaired by Mr Bruno Roger, managing partner of Lazard Frères, the merchant bank, published their 50 recommendations in a report yesterday after starting work last summer to consider the potential for the new market.

"This is an event for the bourse of Paris," said Mr Roger. "It has been more than 10 years since we created a new market." He said the panel's forceful recommendations in favour of the market were justified by the number of entrepreneurial companies in France, their demand for new capital and the interest in investing in risk capital.

According to the report, the Société des Bourses Françaises, which runs the French market, will create a special organisation to draw up detailed operating guidelines ahead of a launch on January 1 1996.

Companies must have at least 100,000 shares quoted on the market, representing FFr5m-FFr10m in capitalisation. They are likely to be owner-managed, and the directors will be allowed to retain the majority control.

In contrast to the new London market, the French panel has placed strong emphasis on tight regulation as well as regular communication between the company and its shareholders and financial transparency to compensate for the high degree of risk involved in the investments.

Mr Jean-François Théodore, chairman of the bourse, rejected suggestions that the new market posed a threat to other markets being proposed for small companies.

Paris is hoping small is beautiful

Authorities aim to broaden the bourse's appeal, says Andrew Jack

Mr Bruno Roger, managing partner of Lazard Frères, posed the three most important questions at a press conference yesterday on the creation of the market for small, high-growth companies in Paris.

"Do we have the companies, do we have the investors and what structure will the market take?" asked Mr Roger, head of the new market's working party.

The committees that drew up the recommendations published this week clearly believe they have positive answers to all three. Others may prove more difficult to convince.

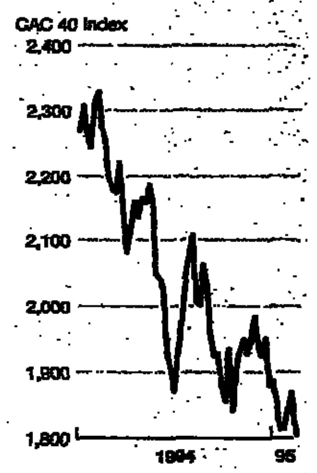
There is little doubt the potential exists for such a market for the type of companies to be targeted. France has a rich base of small and medium-sized businesses, many of which have traditionally shied away from obtaining a quotation. There were only 38 introductions to the bourse last year, against 278 in the UK.

A study by Insee, the French statistical bureau, suggested that 5,000 companies would meet the criteria for the new market, namely turnover of more than FFr50m ($9.65m) a year, growth rate exceeding 15 per cent over three years, and more than 50 employees. A more in-depth study suggested 126 readily-identifiable candidates.

Equally, there is a growing interest in Europe in the scope

France

CAC 40 Index



Source: FT Graphite

for a growth in smaller companies quotations. It is surely no coincidence that the London Stock Exchange acted rapidly to launch its own equivalent market last week: the so-called Alternative Investment Market. Other exchanges, including those in Italy, the Netherlands and Germany, are considering similar schemes.

At the same time, the European Venture Capital Association has been trying to put together a pan-European stock market for smaller companies by early 1996. Some have suggested the French banks which control the bourse have been keen not to lose out to competitors, and have aggressively pushed for the development of Paris' own new market.

The French bourse authorities stress they will happily co-operate with a pan-European market. But Paris' distinctive system of market trading and regulation may make this prove difficult. Paris is not, however, neglecting that broader market while it waits for a new structure.

Yesterday's recommendations call not only for a domestic market with local investors for French companies, but for international investors buying shares in companies across Europe – including former parts of the Communist bloc.

But will companies be persuaded to come to the market? French companies have traditionally fought shy of equities, preferring to remain in family control and raise finance either through their own resources or through banks.

While the UK's alternative investment market is stressing ease of access and deregulation to encourage new entrants, the *nouveau marché* is keen to emphasis the importance of high scrutiny from the COB, its markets watchdog, and financial transparency.

There may also be problems persuading investors to come to the market. Mr Roger conceded yesterday that it was likely to appeal particularly to institutions – both French and from other countries – rather than to individual investors.

One perennial problem for France is the lack of institutional capital, most notably because the country does not have a developed system of pension funds, which account for so much investment in London and New York.

When it comes to international investors, France continues to have a problem: the disappointing performance of equities. Last year, for example, the CAC-40 index of leading stocks fell by 17 per cent.

While many European stock markets have been through a turbulent few months, many analysts express increasing surprise at how poorly France has performed, even though the economy is clearly recovering. Explanations are becoming more difficult to find, and it does not inspire investors.

The detailed rules for the new market have yet to be drawn up and these could well make the difference between success and failure.

But the market authorities may draw some comfort from the sheer number of smaller French companies – which traditionally tend to out-perform the market – the gradual economic recovery and signs of political reform that could create an improved climate for investment and the development of pension funds.

Record profits at Norsk Hydro

By Karen Fossli in Oslo

Norsk Hydro, Norway's largest publicly-quoted company, yesterday reported record profits for 1994. The improvement came from advances in virtually all the group's main activities, on the back of higher prices, increased demand and higher capacity utilisation. The shares, however, ended NKr8 down at NKr258.

Hydro hoisted 1994 pre-tax profits, before minority interests, to NKr6.53bn ($997m) from NKr4.74bn, as net profits rose sharply to NKr4.04bn from NKr2.99bn. Its operating profit soared 80 per cent to NKr7.27bn as sales rose sharply to NKr71.36bn from NKr63.81bn.

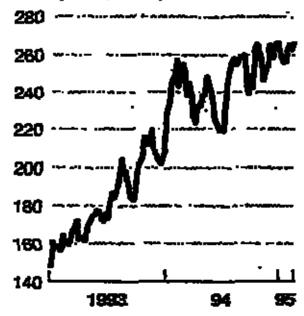
In 1993, there was a NKr2.53bn pre-tax gain on the disposal of the group's 38.3 per cent share in Freia Marabou, the Norwegian chocolate producer.

The group proposes to increase the dividend payment to NKr4.25 a share for 1994 from NKr3.50 in 1993.

Net income from associated companies surged to NKr547m from NKr94m, with Dyno, the

Norsk Hydro

Share price (kroner)



Source: FT Graphite

Norwegian explosives and chemicals group, and fertiliser affiliates outside Europe among the most significant contributors.

Mr Egil Myklebust, president, said Hydro was on target to achieve an operating profit of NKr10bn in 1996. He said the group had created a better balance between contributions from its operating segments, previously dominated by oil and gas.

Group finance expenses fell to NKr1.28bn from NKr1.98bn, with the effects of realised and unrealised currency movements resulting in a gain of NKr124m last year, against a loss of NKr496m in 1993.

Net interest-bearing debt was cut to NKr20.7bn from NKr25.3bn during 1994.

Agriculture moved ahead strongly, more than tripling 1994 operating profit to NKr1.56bn from NKr481m, as sales rose to NKr29.57bn from NKr26.9bn, helped by an 8 per cent increase in fertiliser prices.

Oil and gas lifted 1994 operating profit to NKr3.35bn from NKr3.15bn, as sales advanced to NKr14.52bn from NKr14.09bn. A 9 per cent fall in oil prices was offset by a rise in oil and gas production, to 11.5m tonnes of oil.

The group's light metals operations more than tripled operating profit to NKr1.64bn from NKr453m, as sales advanced to NKr20.83bn from NKr17.75bn on the back of a 29 per cent rise in aluminium prices.

Petrochemicals more than doubled 1994 operating profit, to NKr898m from NKr381m, as sales rose by NKr874m to NKr5.61bn.

Kaufhof unit sale blocked

Kaufhof, the German retail group, said yesterday the Federal Cartel Office had blocked the planned sale of its ITS tourism group to Hanover-based Touristic Union International, Reuter reports from Cologne.

ITS, the fifth-largest travel operator in Germany, had domestic travel sales of DM1.3bn ($873m) for the 1993-94 fiscal year that ended October 31.

هكذا من الاصل

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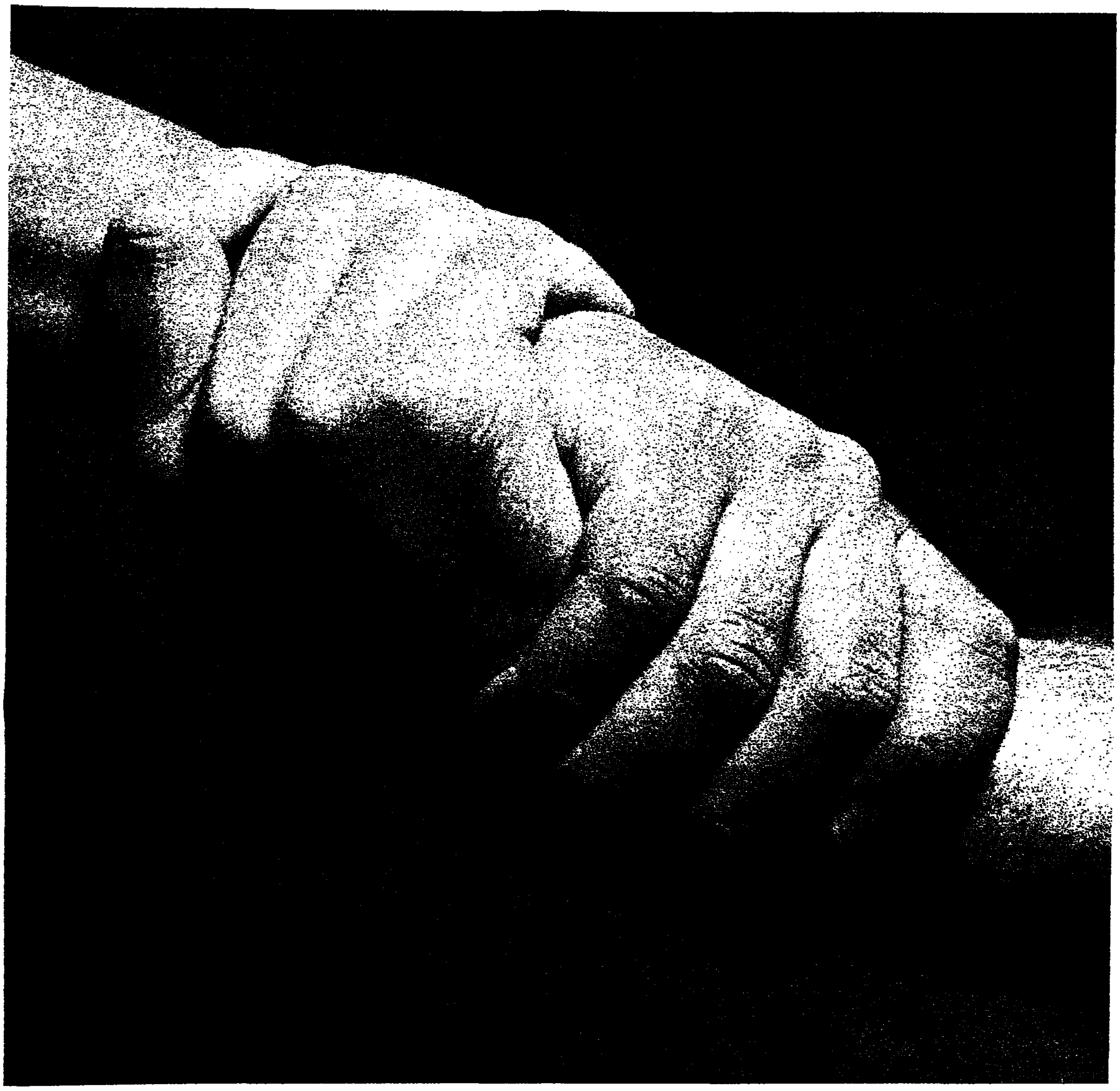

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INTERNATIONAL COMPANIES AND FINANCE

Tokyo SE seeks more foreign listings

By Gerard Baker in Tokyo

The Tokyo Stock Exchange is stepping up efforts to encourage Asian businesses to list on its flagging foreign companies section.

TSE officials said yesterday the exchange would hold a series of seminars in Hong Kong and Singapore next month to sell to Asian companies the benefits of a Tokyo listing. The meetings will be held jointly with Japan's leading securities companies, who stand to gain significant new business if the exercise is successful.

Trading in foreign companies' stocks on the TSE has tumbled in the last few years. Authorities have watched with mounting concern as more than 30 foreign companies have delisted, and hoped-for participants from Asia have chosen to list on other exchanges.

In January, the TSE abolished or relaxed many of its most restrictive listing requirements in an effort to revitalise the market.

The exchange estimates that at least 300 Asian companies meet the new requirements for a Tokyo listing.

About 400 Hong Kong companies and 200 Singaporean enterprises have been invited to the seminars, to be conducted in conjunction with six of the largest Japanese securities companies, including the "Big Four" – Nomura, Nikko, Yamaichi and Daiwa – and two medium-sized companies, Kokusai and New Japan Securities.

This year, all but one or two of the 30 largest brokers are expected to report losses, as equity trading and issuance remain chronically weak.

Since the TSE relaxed the listing rules in January, brokers have been assiduously courting Asian companies. Some have expressed optimism that the next few months will bring a reversal of the declining numbers on the foreign companies section.

Saudi and Gulf banks mark time

By Robin Allen in Abu Dhabi

Saudi and Gulf private sector commercial banks struggled to maintain profits last year in the face of reduced government spending because of flat oil prices.

Banks resorted to a variety of ways to keep profits up. Some cut overheads or lifted fee income by prolonging or increasing loans to existing customers. Others added to interest income by lending to other banks.

A few, notably National Bank of Kuwait, the largest of the Saudi and Gulf private sector banks in terms of assets, took advantage of their international customer base or branch network.

Combined net income of the eight Saudi banks fell 3.3 per cent, even though loans and deposits rose by almost 8 per cent and 3.2 per cent respectively.

"Credit is getting tighter," a senior Saudi banker said. "Existing loans are being extended and renewed. As money gets tighter, spreads improve. The Saudi market has shown a willingness to accept an additional layer of fees, such as renewal, commitment and facility fees, which you only find in sophisticated markets."

Saudi-American's profits rose 7.6 per cent, from successful treasury operations and on the back of further loans to clients hurting from payment delays. But it also added to loan loss reserves. Saudi Investment Bank's 12 per cent profit increase came mostly from increased fee income. United Saudi, whose profits rose 15 per cent, "kept its costs down and benefited from increased interest rates", according to Mr Saleem Jangda, its financial comptroller. But United Saudi also increased loans to 78 per cent of deposits from 67 per cent in 1993, above the 60 per cent limit loan/deposit ratio set by the Saudi Arabian Monetary Agency, the central bank.

Saudi & Gulf private sector banks	Net profit ($m) 1994	1993
Saudi Arabia		
Arab National	108.0	132.0
Saudi Amer.	270.4	251.3
Saudi British	93.4	107.3
Saudi Cairo	52.8	57.1
Saudi Dutch	32.3	48.0
Saudi French	91.0	90.0
Saudi Invest.	17.9	16.0
United Saudi	81.0	70.5
Kuwait		
Gulf Bank	73.6	61.0
National Bank	187.0	176.0
UAE		
MashreqBank	82.0	68.3

Source: Company statements

Saudi-British Bank's profits fell 13 per cent, mainly because of difficulties on international securities markets. Saudi-Dutch Bank took losses on international bond investments. Fee income at Arab National fell 60 per cent; and Saudi Cairo Bank had to pay 16 per cent more in interest.

Four of the 12 Saudi private sector banks – Al-Rajhi Banking & Investment Corporation, Bank Al-Jazira, National Commercial Bank, and Riyad Bank have yet to release 1994 figures.

In Kuwait, Gulf Bank's profits rose more than 20 per cent. "Loan growth was reasonably even throughout the year," Mr John Harris, chief general manager, said. "The treasury, consumer and commercial divisions also contributed." Gulf Bank only received approval to deal on its own account in October 1993, so last year was the first year of full treasury operations.

In the United Arab Emirates, profits of Dubai-based MashreqBank (formerly Bank of Oman) rose 20 per cent, mostly from higher interest income from inter-bank lending. It is the only leading bank independent of a controlling state shareholding.

Filipino state bank in public share offering

By Edward Luce in Manila

The Philippine National Bank is to offer 8 per cent of its equity to the public this spring, reducing the government's stake to a minority shareholding.

The offering, part of a privatisation started in 1989, would reduce the government's stake from 57 to 49 per cent, the bank said. Initially 4m shares would be put out to tender following by a further 4m at a fixed price of 322.5 pesos a share.

To ensure that half of the shares are bought by Filipino small investors, the bank said it would limit the second offering to 150 shares per investor and provide a warrant option within three years entitling the subscriber to an extra share for each two purchased.

The floor price of the first offering would be based on the average price of the shares over the 15 days prior to the auction.

Advance at Caltex Australia

By Nikki Tait in Sydney

Caltex Australia, the listed petroleum products group attempting to secure regulatory approval for a A$3bn (US$2.22bn) merger with rival petroleum refiner Ampol, yesterday announced an after-tax profit of A$58.6m in 1994, up from A$53.7m in 1993.

However, the figure was stuck after abnormal charges of A$22.5m pre-tax, representing the company's share of redundancy costs likely to follow from the merger with Ampol – which, to date, has been opposed by the Trade Practices Commission, Australia's competition watchdog. Operating profit before tax and abnormals rose to A$111.6m from A$73.7m, on revenue of A$3.58bn, against A$3.46bn.

Even this figure was muddied by foreign exchange movements. Caltex, ultimately controlled by Chevron and Texaco of the US, said operating profits included a foreign exchange gain of A$29.7m on its US dollar denominated debt, compared with a loss of A$5.6m in 1993. But it added that product margins had also been hit by about A$11m last year as a result of the Australian dollar's strength against the US currency. In 1993, product margins benefited by around A$26m.

Caltex also noted that there were no inventory effects on earnings in 1994, but that stock losses dented the 1993 figure by around A$24m.

It said the combination of declining crude prices and excess supply in the Asia-Pacific region caused product margins to fall, although operating costs were slightly lower due to efficiency gains. It warned that 1995 was likely to be another year of weak international margins, although Australia's strong economic growth should bring better local volumes.

Caltex said talks were continuing with the TPC over the proposed merger with Ampol, which is owned by the Pioneer group, although Caltex said it would consider a range of unspecified options if the deal was barred. The merger would see the two smallest groups in Australia's petroleum products market combine forces to become market leader.

News confirms Fairfax deals

By Nikki Tait

Mr Rupert Murdoch's News Corporation yesterday confirmed it picked up more shares last week in John Fairfax, the Australian newspaper publisher in which Mr Kerry Packer has been increasing his stake, in apparent contravention of the country's media cross-ownership rules.

But News is understood not to have been responsible for some large trades Friday. Its stake is below the 5 per cent disclosure level, so the exact number of shares it owns cannot be determined.

News revealed in the middle of last year that it held a stake in Fairfax, and at that stage its interest was around 2 per cent of the ordinary shares.

Mr Packer's last disclosed stake was 16.4 per cent on a fully-diluted basis, but it has almost certainly risen in the last few weeks. Mr Conrad Black, the Canadian media magnate, holds just under 25 per cent.

Because Mr Packer owns TV interests in Australia, it was assumed that he was pegged at 15 per cent of Fairfax under the country's media cross-ownership rules.

However, he appeared to be arguing last week that so long as his stake is less than Mr Black's – and while the latter has boardroom representation and Mr Packer does not – he is not in a "control" position.

The Australian Broadcasting Authority, the industry watchdog, has begun an inquiry into the legitimacy of the Packer purchases, and yesterday set a deadline of this Thursday for the supply of information from interested parties.

Meanwhile, shares in Fairfax eased yesterday, largely in response to a weekend TV appearance by Mr Paul Keating, Australia's prime minister. Mr Keating suggested Mr Packer's action had been spurred by his frustrations over the situation regarding Australian pay-TV.

This was denied by the Packer camp, but Fairfax shares fell 6 cents to A$2.95.

Fiat in Indian joint venture

By Shiraz Sidhva in New Delhi

Fiat, the Italian carmaker, has tied up with Premier Automobiles, its long-time Indian associate, to manufacture its Uno model at Premier's Kurla plant near Bombay.

Premier already has an agreement with Peugeot of France to manufacture the 309 model at its Kalyan factory, also near Bombay.

The Indian company said there would be no conflict of interests due to the two partnerships, as the cars were in two distinct segments.

It pointed out that Peugeot and Fiat already had business associations worldwide.

The new partnership would at first be a technical collaboration, with Fiat taking a stake in the venture at a later date. The project cost, as yet unspecified, has been kept low compared with project costs of other international entrants in India's recently liberalised car market, most of which have opted for the medium-sized car segment.

The Premier-Peugeot project, for instance, will cost Rs6bn ($191.3m), with both partners holding 30 per cent each in the Rs2.5bn equity.

High import duties and a weak lira have made it cheaper to import Uno body panels from Italy, while the engine, gearbox, welding, painting and assembly will be done at Kurla. The 50-year old plant is being modernised at a cost of Rs1.5bn.

This is Fiat's second technical collaboration with Premier Automobiles. The first agreement, signed in 1954, lasted 20 years. Indian roads are still crowded with different Fiat models, dating from when the government allowed only a few private companies to manufacture cars.

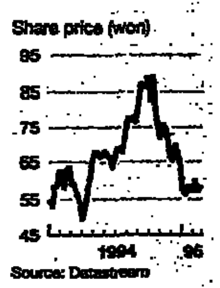
Fiat will pose the first real challenge to the popular Maruti Suzuki 800cc car, and the Indo-Japanese joint venture's 1000cc Zen Alto model.

NEWS DIGEST

Net profits climb 30% at Pohang Iron and Steel

Pohang Iron and Steel

Share price (won)



Source: Datastream

Pohang Iron and Steel (Posco), South Korea's largest company, increased net profits for 1994 by 30 per cent to Won383bn ($482m), although sales rose by only 5.6 per cent to Won7,310bn, writes John Burton in Seoul. Sales growth was constrained by production capacity, since the company has not expanded its main facilities since 1992 in spite of growing demand for steel products from domestic consumers, including the car and shipbuilding industries.

However, profits margins benefited from lower capital expenditures and financial costs, and stable prices for imported raw materials.

Posco increased production of cold-rolled steel coils, which have a higher profit margin than hot-rolled steel products.

The company has set a sales target of Won7,700bn for 1995. Analysts predict that net earnings may reach Won500bn as Posco increases exports in response to higher prices in overseas markets.

Posco recently agreed to provide steel to General Motors, the world's largest carmaker, on a trial basis. Last year, it received long-term contracts to supply cold-rolled steel to three Japanese carmakers, including Mitsubishi, Honda and Nissan, in what was regarded as unusual departure from the Japanese industry's dependence on domestic suppliers, such as Nippon Steel.

The foreign carmakers sought supplies from Posco due to growing steel demand in their domestic markets.

Australian SE unveils 16 indices

The Australian Stock Exchange yesterday unveiled 16 new indices, which it hopes will provide a means of gauging the performance of small and medium-sized companies traded on the exchange, writes Nikki Tait.

The move, foreshadowed last year, follows a general revamp of the country's stock market markers – including the recent launch of an ASX-100 index.

The new group of indices include eight based on current share prices and eight "accumulation" indices, which will measure total return, assuming reinvested dividends.

The new group takes in a "Midcap 50", designed to measure the performance of 50 middle-capitalisation stocks, and the "Small Ordinaries", which will encompass stocks excluded from the ASX-100 but included in the All-Ordinaries index.

South Australian bank for sale

The restructured Bank of South Australia could be sold later this year, state officials said, writes Nikki Tait. Bank of SA was born out of the assets of the debt-ridden State Bank of SA, and began trading on July 1. It announced a debut interim profit of A$39.2m.

The South Australian treasurer said the state government considered A$550m (US$405m) to A$750m a fair price for the bank, and added that a number of institutions from both Australia and overseas had expressed interest in the institution.

Soaring pulp prices spur George Weston

Soaring forest products prices brought a turnround in George Weston's fourth-quarter results, writes Robert Gibbens in Montreal.

Net profit was C$45m (US$32.1m) or 96 cents a share, up from C$7m, or 13 cents, a year earlier on revenues of C$3.2bn, up 11 per cent.

For 1994, net profit doubled to C$117m, or C$2.48 a share, from C$57m, or C$1.21, in 1993. Sales were C$13bn, up 9 per cent.

Weston's resource subsidiary posted 1994 operating income of C$102m against C$2m, mainly because of surging pulp prices and strong timber markets.

Loblaw, the food distribution unit, improved its results. Food processing was the only laggard, due to problems in the bakery division.

Weston is the Canadian holding company for the Weston family's principal north American operations.

● Domtar, a big Weston timber and pulp producer, posted record profit of C$55.7m, or C$1.42 a share, in 1994, up 39 per cent from C$40.2m, or C$1.13, in 1993. Sales rose 14 per cent to C$757m.

Domtar expects to gain from sharply rising pulp prices in 1995.

● West Fraser Timber, a Weston sawmilling, pulp and building materials group, earned C$118.5m, or C$5.19 a share, in 1994, up from C$53.4m, or C$2.51, on sales of C$1.3bn against C$904m.

The 1994 period included a C$46.7m pre-tax refund of US countervail duties.

Anglovaal food unit registers 31% gain

Irvin and Johnson, the food company in the South African Anglovaal group, reported a 31 per cent rise in after-tax profits for the six months to December 1994 to R41.7m ($11.8m), up from R31.4m previously, writes Mark Suzman in Cape Town.

Operating profit rose 25 per cent to R56.6m from R45.4m, while interest paid rose by just 4 per cent to R9.3m from R8.9m, although long-term borrowing rose slightly to R702.8m compared with R649m previously. However, tax paid was also higher at R11.3m, up from R8.5m.

In spite of disappointing results from Namibian subsidiary Kuiseb Fish Products, which suffered from worse than expected hake catches, a solid overall performance from other divisions helped boost turnover by 19 per cent to R1.06bn from R886.5m.

The prepared foods division managed to improve vegetable exports in spite of a lacklustre local market while the Sales division benefited from the successful introduction of several new products.

Tighter margins hit Asatsu earnings

Asatsu, a Japanese advertising agency, posted a second consecutive fall in annual earnings due to the rise in competition and lower profit margins, writes Emiko Terazono in Tokyo.

For the year to last December, the company saw non-consolidated pre-tax profits decline 12.9 per cent to Y3.7bn ($38m) on a 3.2 per cent rise in sales to Y145.4bn. After-tax profits fell 19.6 per cent to Y1.6bn.

For the full year to next December, Asatsu expects pre-tax earnings to rise 8.1 per cent to Y4bn on a 6.6 per cent increase in sales to Y155bn.

Asatsu's profit decline came in spite of a rise in Japan's overall advertising expenditure last year. Dentsu, the industry leader, said advertising spending rose 0.8 per cent to Y5,168.2bn in 1994, the first rise in the three years.

Television advertising rose 3.4 per cent to Y1,643.5bn while newspaper advertising spending gained 1.1 per cent to Y1,121.1bn. Magazine advertising spending increased by 1.6 per cent to Y347.2bn but expenditures for radio advertising fell 4 per cent to Y202.9bn.

Strong fourth quarter seen for Air Canada

Air Canada will post a net profit of more than C$125m (US$89.2m) for 1994, with a stronger-than-usual fourth quarter, said Mr Jean-Jacques Bourgeault, chief operating officer. Results will be disclosed this week, writes Robert Gibbens.

The airline posted a profit of C$125m, or C$1.06 a share, in the first nine months of 1994, against a loss after special charges of C$336m, or C$3.20, a year earlier, on revenues of C$3bn against C$2.7bn.

Mr Bourgeault said the fourth quarter normally showed a loss, but this time it was positive. "Operating profit was a record and we began reaping benefits from internal restructuring and an improved economy," he said.

Air Canada is expanding its fleet again, planning new routes, and re-hiring 243 pilots who lost their jobs in cuts two years ago.

Teco Energy plant for Guatemala City

Tampa-based Teco Energy is to build a 75MW oil-fired electricity generating plant 35 miles south-west of Guatemala City, its first foreign venture, writes Edward Orlebar in Guatemala City.

Construction will begin in March of the $50m plant, which is scheduled to come on line in July. It will be largely financed through equity.

The company has signed a 15-year agreement to sell electricity to the Guatemalan government's Empresa Electrica de Guatemala.

Zurich Insurance sets sights on Germany's motorists

Switzerland's first telephone-based direct insurer believes it can win significant business, writes Ralph Atkins

Emboldened by a few months running Switzerland's first telephone-based direct insurer, Zurich Insurance is set to attempt a similar assault on Germany – Europe's biggest motor insurance market.

As deregulation sweeps across the European insurance sector, Zurich's initiative – expected to be announced formally this summer – suggests the changes may be more profound than many observers expected.

Since last July, European Union insurers have been able to operate across the EU on the basis of regulations in their home country. Equally as important, cartel agreements and government controls on premium rates and policy terms have been eroded.

Although outside the EU, Switzerland has deregulated its insurance industry more or less in line with its neighbours.

Zuritel, Zurich Insurance's Swiss telephone-based company, began operations as EU regulations were lifted.

On an industrial estate near Zurich airport, it employs 90 telesales staff, about half working part-time, taking advantage of the collapse of cartel agreements to sell motor policies direct to consumers, cutting out agents and their commissions. Over the long term, selling direct can halve expenses as a proportion of premiums.

Zuritel is modelled on Direct Line, the direct insurer owned by Royal Bank of Scotland, which is now the biggest in the UK's private motor market. But profitability in the UK – the most advanced market in Europe for direct selling – does not translate into automatic success in Switzerland, where sales agents are more entrenched and regarded in higher esteem by consumers.

According to Mr Patrick Wetzel, insurance specialist at the Zurich office of McKinsey & Co, the consultancy, "Zurich has been bold in setting up a direct selling unit which will compete with its own agents."

Mr Peter Eckert, Zurich's executive board member responsible for non-life operations in Switzerland, said: "If I don't do anything, I'm a hero of the sales force. And then tomorrow a competitor will set up a direct selling operation and everyone says 'Zurich Insurance has slept'. We have to lead the change."

Some customers prefer the status quo. Pinned on Zuritel's notice boards are polite letters from customers thanking staff for telephone quotations but saying they have decided to stay with existing agents.

There have been other difficulties: the Swiss tradition of five-year motor insurance policies, which can be hard to cancel, and the fact that customers buying direct have to take their own insurance documents to be registered by local officials – a service usually provided by agents.

Other Swiss companies have concentrated on improving the service offered by their own agents. Winterthur, the largest non-life insurer in Switzerland, has introduced computer software which allows individual quotations to be made in clients' living rooms using similar criteria to telephone-based operations.

Zurich has also strengthened the computer power available to its sales force but believes economics makes the rise of the direct telephone sales operations inevitable.

Zuritel offers savings averaging 20 per cent on vehicle damage insurance. But its real attraction to consumers will not become apparent until next January, when the the liability portion of Swiss insurance policies is deregulated.

Zuritel's experience in the ultra-conservative Swiss market will be useful in Germany, where long-term contracts are also the norm. As in Switzerland, insurance executives are split about the likely success of direct selling. Mr Emilio Galli-Zugaro, press spokesman at Allianz, Germany's biggest insurance company, said: "We are not planning any direct telephone selling for German personal lines."

So far telephone-based direct insurers have gained probably less than 5 per cent of the German private motor insurance market. But Mr Klaus Sticker, chief executive of Tellit-Direct, the German direct operation started in 1993 and owned by the French Suez group, says deregulation will – in time – result in a substantial rise in this proportion.

Zurich Insurance is similarly confident that it can grab a significant market share with a direct operation, based on Zuritel but working with Deutsche Allgemeine, one of its German subsidiaries which already has a small tele-sales operation.

As in Switzerland, the direct sellers will have to compete with the quality of service offered by agents, as well as on price. The prize is a share of a motor insurance market worth Ecu20bn ($15.7bn) in 1993.

TOTAL MOTOR INSURANCE IN EUROPE (Premium income, Ecu m)

Country	1990	1991	1992	1993
Austria	1,580	1,715	1,947	2,108
Belgium	2,020	2,167	2,348	2,336
France	9,991	10,275	10,970	11,783
Germany	13,786	15,681	18,042	20,163
Italy	9,311	10,792	10,868	10,511
Netherlands	2,112	2,204	2,351	2,523
Spain	4,542	5,186	5,294	5,193
Sweden	1,166	1,318	1,213	1,091
Switzerland	2,006	2,027	2,216	2,449
UK	8,201	9,029	9,520	10,985
Others	4,457	4,648	5,020	5,451

Source: Comité Européen des Assurances

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Echo Bay warns of falling output

By Kenneth Gooding, Mining Correspondent

Echo Bay Mines, one of North America's biggest gold and silver producers, expects its gold output this year to slip by about 5 per cent, from 817,946 troy ounces in 1994.

Mr Richard Kraus, president, predicted yesterday that Echo Bay's gold cash production costs would be about US$20 an ounce higher than the 1994 average of $214.

There would be no material change in silver production, which fell by 16 per cent from the 1993 level, to 10.4m troy ounces last year, Mr Kraus told analysts and institutional investors in London.

It warned that 1995 would be the second successive year of falling gold production at Echo Bay. Last year, its output fell by 6 per cent because of poorer concentrations of gold in the deeper ore mined at two of its four mines. At McCoy/Cove, in Nevada, less gold is being recovered from deeper sulphide ores, while the Lupin mine, in Canada's Northwest Territories, has similar problems.

Echo Bay's gold reserves slipped by 3 per cent to 11.3m ounces at the end of 1994.

It doubled exploration spending last year, from $13.5m to $27.1m, and will continue at the latter level in 1995. More will be spent outside North America this year: 60 per cent compared with 40 per cent last year, said Mr Robert Armstrong, executive vice-president, operations.

Last year, Echo Bay formed several strategic alliances and joint ventures with exploration companies and smaller concerns to win access to prospects in Ghana, Brazil, Venezuela, and Bolivia, among others. The company already has exploration operations in Mexico.

Attempts to re-open the Alaska-Juneau mine were stalled, said Mr Armstrong. However, Echo Bay was in talks in the hope of re-starting the permitting process. The final permits for the proposed Kensington mine should be given in 1995.

Echo Bay has reported 1994 net earnings at $8m, or 7 cents a share, up from $3.6m, or 3 cents, on revenues which rose 3 per cent from $366.5m to $377.6m. The average selling price realised rose from $360 to $387 an ounce. The company's policy is to hedge no more than one-third of its production. For 1995, it will deliver 127,200 ounces of gold at an average price of $393 an ounce against forward sales positions and loan maturities.

It has also agreed to deliver 4.4m ounces of silver at prices averaging $5.53 an ounce.

At the end of 1994, Echo Bay's $202m in cash more than offset its total debt of $133m. Its year-end cash position net of debt was $69m, up from $39m at the 1993 year-end.

Mr Kraus said: "We have the cash flow to grow this company." Last year, operating cash flow was $108.1m compared with $107.5m in 1993.

US cereal makers await the crunch

The industry is on the brink of a price war, writes Richard Tomkins

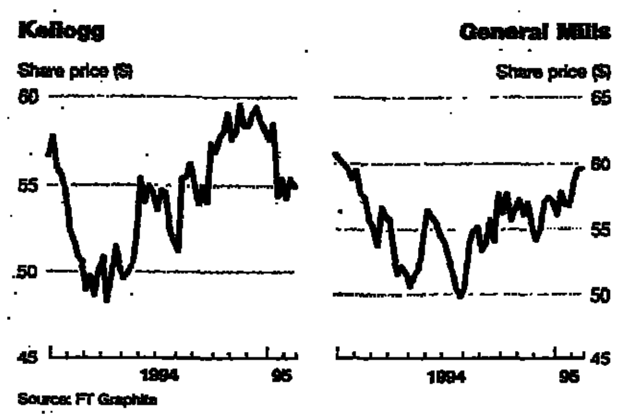
This ought to be a good time for the cornflake industry. The iron curtain has been lifted, opening new markets in eastern Europe, developing countries are beginning to acquire a taste for ready-to-eat cereals, and in the west, the trend away from cooked breakfasts continues.

Instead, the two biggest US breakfast cereal manufacturers are struggling. While overseas sales are growing and the world's biggest market for breakfast cereals is on their doorstep, US sales growth has slowed to almost nothing.

Largely as a result of weak domestic demand, Kellogg, the biggest US breakfast cereal company, lifted net profits by less than 3 per cent to $153m in its latest quarter.

General Mills, the second biggest, performed slightly better, increasing net profits by 6 per cent to $148m. Last Friday, however, it warned its shareholders to expect a $170m restructuring charge in the current quarter, of which $110m would relate to the cost of cutting production capacity in its US breakfast cereal business.

Why the soggy US demand? The price on a packet of cornflakes tells the story. In the UK, Kellogg's biggest market outside the US, a 500g box of Kellogg's Corn Flakes costs £1.75 ($2.77) at a London branch of J. Sainsbury, the supermarket chain. In a Manhattan branch of the D'Agostino supermarket chain, a 510g box of Kellogg's Corn Flakes costs $3.29 – 17 per cent more per gram than in the UK, even though the product is American in origin.



Source: FT Graphite

The high cost in the US is the legacy of the years when the big manufacturers pushed up prices, but held on to customers with money-off coupons. By the early 1990s, the promotional activity had started to get out of control. In 1993, about 60 per cent of cereal purchases were made at an average 35 per cent discount.

With earnings growth flagging, both Kellogg and General Mills announced last year that they were reducing their promotional spending to cut costs. The short-term effect was to boost the companies' profits. But without money-off coupons, the move raised net effective prices at the supermarket check-out by between 4-5 per cent last year for the category as a whole, according to Mr Les Pugh, an analyst at Salomon Brothers.

To many industry observers, the big cereal manufacturers' strategy looked odd. After all, most other makers of branded products were cutting prices in response to a consumer revolt against costly, brand-name goods.

General Mills partly compensated by cutting the prices of its best-selling cereals by an average of 11 per cent.

But as Mr John O'Neil, an analyst at Oppenheimer & Co, said in a research note on Kellogg: "While other food and consumer categories are moving toward an everyday low pricing strategy, Kellogg is attempting to lead the cereal category into an everyday higher pricing strategy."

The US breakfast cereal market grew by barely 1 per cent last year, largely as a result of the cut in the big companies' promotional activity.

For Kellogg and General Mills, that would be bad enough: but their high prices have meant a loss of market share to private label products and to smaller companies that have continued promotional spending, such as Philip Morris's General Foods division with its Post and Nabisco brands.

The share prices of Kellogg and General Mills have suffered accordingly. Yet it is not the declining market share that bothers investors, so much as the fear of what the companies will do to remedy it.

As Mr Pugh explains: "The market is scared that one morning it will wake up and hear Kellogg say: 'Enough is enough – we can't take this loss of market share any more.' If it does, it's war."

By war, he means a cereal version of Marlboro Friday – the day in 1993 when Philip Morris slashed the prices of its premium cigarette brands to regain market share from cheaper, private label products. The resulting price war temporarily ravaged profits in the US tobacco industry.

On balance, most analysts think a cereal war may be averted. Ms Nomi Ghez at Goldman Sachs believes private label penetration of the breakfast cereal market is too low, and the price differential between private label and branded products too narrow, for it to be a serious threat.

Mr Pugh thinks net effective prices will gradually edge down in real terms over the next three to five years "until you reach some proper economic value for the product".

Even so, Mr Arnold Langbo, Kellogg's chairman and chief executive, sent a tremor through the industry last month when he accompanied a weak quarterly result with the statement that Kellogg was "extremely sensitive toward further volume decline" in its US cereal business.

Kellogg will not say just how that sensitivity might express itself.

But the market senses that Kellogg is not going to stand by and do nothing while its market share continues to slide. The crunch, it fears, may not be far away.

President of Canadian stockbroker resigns

By Robert Gibbens in Montreal

Mr Peter Wallace has resigned unexpectedly after three years as president of Midland Walwyn Capital, Canada's biggest retail stockbroker, which is 21 per cent-owned by Mackenzie Financial, a big mutual fund distributor.

Mr Robert Schultz, chairman, said Midland wanted to remain independent, and denied that takeover talks were under way.

He refused to discuss Mr Wallace's departure, though another Midland official confirmed it stemmed from a policy disagreement.

Mr Wallace became Midland's president in 1991 as a result of a merger. Like many other brokerage funds, Midland lost money in the fourth quarter of 1994 because of a dearth of new underwritings and a poor stock market.

● Mrs Darcia Joseph, vice-president of marketing, has left T. Eaton, Canada's best-known department store chain. Her departure was attributed to disagreements on merchandising policy.

She had tried to rejuvenate Eaton's image with a high-profile marketing programme, but the impact on sales was slow to appear, retail analysts said.

Tobacco ruling hits shares

By Richard Tomkins in New York

Shares in US tobacco companies are likely to come under pressure today as the market reacts to mounting legal pressures on the US cigarette manufacturing industry.

On Friday a court in New Orleans delivered a ruling that clears the way for lawyers to bring a multi-billion dollar class action lawsuit against the industry. It looks set to become the biggest such action in legal history.

The market had little time to digest the implications of the ruling because it came as traders were clearing their desks for the holiday weekend.

However, shares in Philip Morris, the biggest US cigarette manufacturer, fell $1¼ to $60¾ in late trading. Shares in RJR Nabisco, the second biggest, fell $¼ to $5¾.

US financial markets were closed yesterday for Presidents' Day. In London, however, shares in BAT Industries, the UK financial services and tobacco conglomerate which owns Brown & Williamson Tobacco and American Tobacco in the US, fell 10p to 422p.

The New Orleans ruling paves the way for a consortium of 60 US law firms to proceed with a class action suit on behalf of tens of millions of present and former smokers in the US, claiming damages for their alleged addiction to nicotine.

The suit names Philip Morris, R. J. Reynolds Tobacco, Brown & Williamson Tobacco, American Tobacco, Liggett & Myers, Lorillard Tobacco and United States Tobacco; their parent companies; and the Tobacco Institute, an industry body.

At least three of the companies – Philip Morris, R. J. Reynolds and Brown & Williamson – have already declared their intention to appeal against the court's ruling. They claim the class action certification is contrary to law.

Yesterday, they were also trying to play down the implications of the ruling. Mr Richard Schneider of King & Spalding, the law firm representing Brown & Williamson, said although the judge had certified certain core issues for decision in the case, he had denied class certification for individual claims.

"Each individual will still have to pursue their own claim as an individual before the question of any damages ever makes it to a jury," he said.

Canadian unit of HSBC lifts earnings 38%

By Bernard Simon in Toronto

Hongkong Bank of Canada, Canada's biggest foreign-owned bank and a wholly-owned subsidiary of Hongkong and Shanghai Banking Corp (HSBC), lifted earnings by 38 per cent in the first quarter of fiscal 1995.

The boost in earnings for the three months to January 31, to C$26m (US$18.6m) from C$18.8m a year earlier, was ascribed largely to new commercial business and a growth in trade finance.

Loan-loss provisions rose to C$22m from C$15m.

Total assets stood at C$16.7bn on Jan 31, up 19.8 per cent.

The bank employs about 3,100 people at more than 100 offices.

Its growth has been reinforced in recent years by acquisitions and an influx of Asian immigrants to Canada.

Bilfinger drops Buderus plan

Bilfinger & Berger, the German construction group, has withdrawn its application to raise its stake in heating engineer Buderus from about 15 to 25 per cent, because of concerns at the Federal Cartel Office, reports Reuter from Mannheim, Germany.

Bilfinger said it did not consider the cartel office's misgivings about the plan justified.

$100m acquisition boosts precision engineering activities

US expansion for Coats

By Motoko Rich

Coats Viyella, the UK's largest textile group, is boosting its precision engineering business with the £65m ($100.75m) acquisition of Bace Manufacturing, a US-based private company.

The company said the acquisition would increase capacity at Dynacast, Coats' international precision engineering division, by about 33 per cent, and consolidate the company's position in North America, where Dynacast has about a quarter of its sales.

Coats is paying £51m in cash and assuming £14m of debt for Bace, in what is the largest acquisition the group has made to bolster Dynacast, which began in 1964 with the purchase of a zip fastener producer in the US and now makes zinc, aluminium, magnesium and plastic components for equipment suppliers.

Bace, which trades as SPM, manufactures high precision plastic moulding for the telecommunications, automotive and electronic industries at eight plants in North America. It will become part of Dynacast, which has 31 plants in 19 countries.

In the year to December 31, SPM made a profit before interest and tax of $10.4m on turnover of $115.4m. Coats will be assuming about £40m in goodwill on SPM, which has net assets of $35.8m.

The company said it expected the acquisition to enhance earnings in 1995. It will, however, create a short-term increase in gearing, which is estimated to have stood at 30-33 per on net debt of £270m-£300m at December 31. Gearing could be pushed up by 9 percentage points.

Coats said it was investing in its precision engineering business because it had been one of its most successful divisions, contributing £24m, about 14 per cent of group operating profit, in 1993 on £142m sales, about 6 per cent of overall turnover.

Mr Neville Bain, chief executive, said the division resembled Coats' textiles operations because it involved the production of small components, design and an international network.

Mr Bain said he expected a "pause in any acquisitions by Dynacast" for the next 12 to 18 months as the company sought to integrate SPM into its activities.

Bank has capacity to pay £1.8bn for C&G without need for equity issue

Lloyds paying 20% premium

By John Gapper, Banking Editor

Lloyds Bank is paying a premium of just over 20 per cent of Cheltenham & Gloucester's potential flotation value to acquire the building society, according to calculations by JP Morgan, the bank which has advised C&G.

C&G's transfer document indicates that JP Morgan valued it at £1.4bn ($2.17m). It also indicates that JP Morgan thought the flotation value had fallen slightly between the disclosure of the deal last April and the end of the year.

Analysts said yesterday that the 20 per cent acquisition premium being paid by Lloyds was about the minimum it could expect to pay if it had been taking over a public company. A premium of about 30 per cent was more common.

"I think that most companies that bought another for 20 per cent more than the share price before the deal was disclosed would be very pleased," said Mr Chris Ellerton, a banking analyst at SG Warburg, the investment bank.

The Lloyds shareholder circular says that Lloyds has the capacity to pay £1.8bn in cash without making an equity issue, and still keep its regulatory ratios of capital to assets "within the Bank of England's requirements".

Analysts believe Lloyds will retain strong capital ratios. SG Warburg estimates that its tier 1 ratio of core capital to risk-weighted assets will fall to 5.8 per cent; ABN Amro Hoare Govett predicts 5.9 per cent.

Lloyds is to call an extraordinary meeting on March 30 to consider the proposals, which it says should give the combined group a 6.5 per cent share of the UK residential mortgage market, with mortgage assets of £24.1bn.

The combined group will have total assets of £100.6bn, including loans and advances to customers of £54.9bn. Its combined net assets will be £2.87bn, after deducting the £1.8bn paid by Lloyds.

The transfer document estimates that on the vesting date – expected to be August 1 this year – C&G will have shareholders' funds of £1.08bn. Its £100m of perpetual interest-bearing shares will be replaced by perpetual subordinated bonds.

At the heart of the deal between Lloyds Bank and Cheltenham & Gloucester Building Society is C&G's distinctive position within the societies' sector as an organisation that "sticks to its knitting".

As the transfer document recognises, this concentration on providing mortgages and savings without diversifying into other financial services has both strengths and weaknesses for the organisation.

With just 236 branches and mortgage centres, C&G has an enviable cost/income ratio, even though this has been slightly upset by the £20m costs of doing the deal with Lloyds. But it also means that it has fewer high street outlets than some smaller societies.

In the first detailed account C&G has given of its strategic review, it sets out as its key aims the desire to maintain its focus on its core business; the need to increase its distribution in order to keep unit costs down by raising volume; and the need to keep management expense ratios low.

The paper says that three of the four courses it considered – staying as a society; merging with another society; or conversion to public limited company – failed to meet those objectives.

C&G's reluctance to damage its cost/income ratios by spending on increasing its branch network meant that only the option of merging with another large society or being acquired by another organisation would give it increased distribution and access to a customer base.

Share options worth £1.4m

Mr Andrew Longhurst, chief executive of Cheltenham & Gloucester Building Society, will receive share options worth up to £1.4m if the Lloyds Bank cash offer for the society is approved by C&G's 1.2m members.

C&G yesterday offered its members the first detailed account of why it decided to recommend acceptance of the £1.8bn cash bid from Lloyds.

It emphasised that it would retain substantial autonomy within the Lloyds group, including the control of interest rates for all mortgages sold through its own branches and through units in Lloyds' 1800 branches.

In order to proceed, the deal must be approved by high proportions of C&G members – most but not all of whom will benefit from a share in the cash handout up to a maximum of £13,500 for each savings account.

Molins loses US patent appeal

By James Whittington

Molins, the precision engineering group, has lost another round in an eight-year patent battle.

The group said that the US Court of Appeal had affirmed an earlier court decision that the company's patents on its Flexible Manufacturing Systems were unenforceable.

Molins, best known as a producer of cigarette-making machines, and John Smith, its co-plaintiff, claimed they had a patent on FMS, a computerised control sytem for several machine tools.

However, in November 1992 the US District Court for Delaware overruled Molins' claims for infringement by two American companies of its FMS patents and ordered it to pay the fees of the defendants' attorneys.

The Court of Appeal upheld the patent decision, but there was a crumb of comfort for Molins in that it referred the ruling on the fee award back to the District Court for further consideration.

Mr Clive Humphries, legal and contracts director, said the impact of the court's decision was "not so great" as Molins had already provided for the payment of legal fees after the 1992 decision.

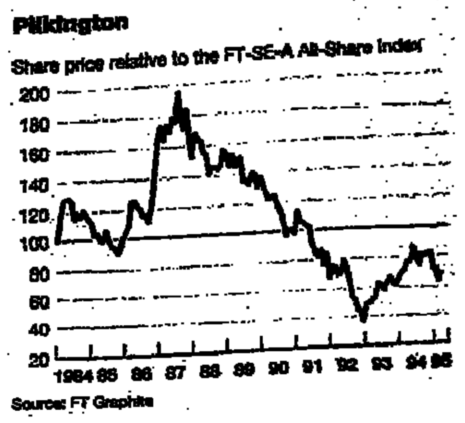
The size of the provisions were not disclosed. An independent assessment in 1990 put the potential earnings stream from the FMS patent at £60m ($93m) over a 13-year period.

LEX COMMENT

Pilkington's pilot

The appointment of Mr Nigel Rudd as Pilkington's next non-executive chairman will remove any vestigial conflict between paternalism and maximising shareholder value at the world's largest glass-maker. There can be no doubt now that shareholders' interests come squarely ahead of those of employees and the community of St Helens.

The 3 per cent gain in the Pilkington share price shows the City's respect for Mr Rudd's skills as a communicator and no-nonsense industrialist. But there can be no quick-fix at Pilkington, as there was at East Midlands Electricity where Mr Rudd led a boardroom coup and promoted a root-and-branch rationalisation. Pilkington's problem is the intense cyclicality of the glass industry, to which there is no simple solution. Diversification was long ago discredited: the purchase of Visioncare in the aftermath of BTR's bid was a disaster. The only credible strategy is to cut costs, improve efficiency and rebuild the balance sheet. This is exactly what Mr Roger Leverton has done during his time as chief executive – and his performance is reflected in a premium rating for the shares which are currently rated on a multiple of roughly 22 times earnings for the year to the end of March.



Source: FT Graphite

Mr Rudd will be able to lend his full support to the Leverton approach, and perhaps the process of rationalisation will be intensified. But the most the combined team can hope for is to manage the next cyclical downturn better than in the past – they will not be able to eliminate it.

Guardian Royal Exchange to set up office in Vietnam

By Ralph Atkins, Insurance Correspondent

Guardian Royal Exchange has become the first UK general insurance company to set up a representative office in Vietnam since the country was opened to foreign insurers at the end of 1993.

GRE said the new venture, which will concentrate initially on commercial reinsurance, was part of a strategic drive into the region. Mr John Robins, chief executive, said: "We are the most widely represented European insurer in Asia."

The group, which announces its 1994 results today, hopes the licence to operate a representative office will pave the way for it to write direct insurance in Vietnam at a later date.

GRE opened a representative office in South Korea last year and has also formed a close relationship in Thailand with the Thai Investment and Securities group of companies (Tisco).

Tun Thamrong, an investment holding company which is part of Tisco, has acquired 45 per cent of Guardian Assurance Company (Thailand) not owned by GRE.

This has provided GRE with a platform for developing insurance activities through Tisco's arms, including retail finance, hire purchase, leasing and corporate lending.

Indian move at NatWest Markets

By Peter Montagnon, Asia Editor

NatWest Markets is to set up a joint venture in India with HDFC, a Bombay-based housing finance bank, in a move which it said was the first foreign investment in an Indian bank in 40 years.

The partners have been authorised to set up a new bank, HDFC Bank, with a capital of Rs200m ($64m) to provide treasury, trade and corporate finance services to medium and large companies.

The new bank will help NatWest build its presence in India's wholesale banking market which is growing fast.

NatWest is to take a 20 per cent stake in the venture, which is the largest permissible stake for a foreign entity. HDFC will be the largest single shareholder with 25 per cent, but the bank intends to seek a listing on the Bombay Stock Exchange following a public offer next month.

Saatchi proposes new share options

By William Lewis

Directors of Saatchi & Saatchi, the advertising group, could be awarded share options valued at up to eight times their annual salaries if shareholders approve the introduction of new pay schemes at an extraordinary meeting on March 16.

Saatchi yesterday revealed details of proposed share option awards covering all group employees. The company also confirmed that it intended to change its name to Cordiant following the departure of both co-founders, Maurice and Charles Saatchi.

"Based on the research carried out, your board believes the name Cordiant plc captures a new spirit for the holding company," said Mr Charles Scott, chief executive and acting chairman, in a letter to shareholders.

Mr Maurice Saatchi, who was ousted as chairman before Christmas, was strongly opposed to any name change.

This issue, together with a proposed share options package that could have netted him £5m ($7.75), was largely behind the shareholder revolt which led to his downfall.

The company said it had consulted its biggest shareholders before officially proposing the share options package. M&G, which owns more than 5 per cent of the company, said it supported the share option proposals, which are in line with Association of British Insurers guidelines.

The remuneration proposals were put together by consultants at Arthur Andersen, the accountancy firm. The proposals would allow Saatchi to place up to 3 per cent of its ordinary shares, in any three-year period, for subscription under employee option schemes. Exercise of the options will be permitted if the company is taken over.

Saatchi also confirmed that all main board directors will be up for re-election at its annual meeting later this year.

Northern contests bid value

By Peggy Hollinger

Northern Electric yesterday sought to put pressure on Trafalgar House, which has made a hostile £1.2bn ($1.86bn) bid, with estimates that implied a value of £14 a share against the predator's cash offer of £10.48.

It also noted the Takeover Panel had forced Trafalgar to clarify its claim that Northern's £563m package of shareholder incentives, announced last week, would result in a matching fall in market value if accepted by investors.

Swiss Bank, Trafalgar's adviser, was forced to admit late on Friday that there was no empirical evidence for its claim.

The market expects Trafalgar to increase its offer by between 100p and 150p.

Meanwhile, speculation over a white knight continues; Scottish Power may have approached Northern early in the bid process.

Nokia share redemption deal with ICL

Nokia, the Finnish telecommunications group, has signed an agreement with ICL, the UK computer company owned by Fujitsu of Japan, for the early redemption of its preferred share interest in ICL for an aggregate £167m ($259m).

The preference shares were issued as part of the consideration for the acquisition by ICL of the Nokia Data business in October 1991.

Hardy Oil makes $19.4m stake sale

Hardy Oil & Gas USA has sold its stake in the North Shongaloo area to an unnamed purchaser for $19.4m.

The wholly owned subsidiary of Hardy Oil & Gas said the proceeds would be channelled into higher-yielding assets.

Shongaloo's output accounted for 3 per cent of Hardy's total gas production and less than 1 per cent of its total oil production.

Restructuring behind advance at Low & Bonar

By Tim Burt

Low & Bonar, the packaging, plastics and specialist materials group, yesterday reported a 33 per cent increase in operating profits following sharply improved productivity and buoyant demand for industrial and consumer packaging.

Pre-tax profits rose from £31.6m to £44.1m ($68.4m) as increased productivity and cost savings helped it pass on higher raw material prices.

The company saw operating profits rise from £35m to £46.4m for in the year to November 30 as it enjoyed the benefits of hefty restructuring in North America and enlarged capacity at its European plants. Overall margins improved from 9.5 per cent to 11 per cent and the group's shares rose 27p to 408p.

Mr Norman McLeod, finance director, said the strategy had paid off with sales growing from £368.9m to £420.9m in the year to November 30.

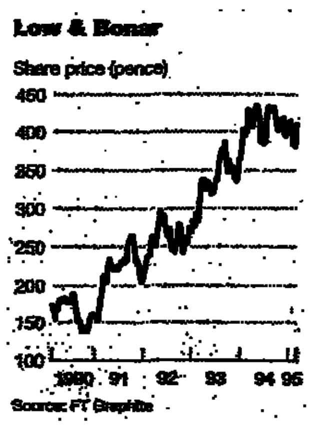
"One of our great strengths has been to withstand the continental recession and the high-street price war and still move profits ahead," he added.

That improvement was fuelled mainly by its performance in continental Europe, where underlying sales grew to £304.7m (£261m) and margins improved from 10.6 per cent to 12.3 per cent.

The figures were, however, flattered by interest charges down from £3.42m to £2.31m thanks to £19m of positive cash flow, which left the group with net cash of £7.31m against borrowings last time of £11.6m.

Mr McLeod said the group had also benefited from a reduced tax charge of 28 per cent (31 per cent) as the proportion of UK profits rose from 55.4 per cent to 58 per cent – some £26.9m (£19.4m).

Low & Bonar has invested £105m in new plant and equipment in the past five years. It said more spending was vital if companies were to maintain profit margins while passing on higher input prices, and pledged to increase investment by up to 42 per cent this year to £30m.



Source: FT Graphite

Earnings per share, meanwhile, rose from 21.77p to 30.06p.

An improved final dividend of 8.3p (7.1p) is recommended, making a total for the year of 11.5p (10p).

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Ashtead	Yr to Oct 31	31.9	(20.9)	6.56	(3.26)	15.5	(10.9)	1.6	Apr 6	1.3	-	5.5
Baldwin	Yr to Oct 31	46.2	(34.6)	4.39	(2.83)	16.6	(10.1)	2.4	Apr 7	1.9	4	3.5
London Industrial	3 mths to Dec 31	2.57	(1.71)	0.73	(0.18)	6.5	(2.1)	-	-	-	-	7
Low & Bonar	Yr to Nov 30	420.9	(368.9)	44.1	(31.6)	30.06	(21.77)	8.3	May 9	7.1	11.5	10
PizzaExpress	6 mths to Dec 31	14.3	(13.6)	3.04	(3.08♠)	4	(4.5)	0.6	Apr 13	0.5	-	2
Regent Inns	6 mths to Dec 31	10.5	(7.16)	1.9	(1.03)	10.7	(6.2)	2.25	Apr 6	1.75	-	5.4

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Throgmorton 1000	6 mths to Dec 31	143.18	(135.44)	0.379	(0.393)	1.12	(1.16)	-	-	-	-	2.5

Dividends shown net. Figures in brackets are for corresponding period. ♠After £1.14m profit on sale of discontinued activities.

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COMMODITIES AND AGRICULTURE

Natural rubber pact aimed at curbing volatility

By Frances Williams in Geneva

The new price stabilisation accord for rubber approved by 31 producing and consuming nations late last Friday reflects the overriding interest of both sides in curbing market price volatility.

Mr Carlos Fortin, head of the United Nations Conference on Trade and Development, which sponsored the negotiations, said the agreement would give growers confidence in the long-term profitability and stability of earnings from natural rubber, while assuring security of supplies for manufacturers.

Although rubber prices had soared in recent months to the highest levels since the Korean War, Mr Fortin said experience had shown they could fall as fast as they had risen.

The rubber accord is the only remaining international commodity agreement with price stabilising provisions, which authorise buying for and selling from a 550,000 tonne buffer stock to keep prices within an agreed range.

The International Natural Rubber Agreement 1995, the third of its kind, will succeed the 1987 accord, which expires at the end of December. There will, however, be a hiatus as *the new pact is unlikely to be* ratified in time to come into force before late 1996.

Three rounds of negotiations between countries representing over 90 per cent of the $4.6bn-a-year world trade in natural rubber ended successfully after producers dropped their demand for an initial 5 per cent rise in the central reference price under the new agreement. In return, consumers agreed a rise in the guaranteed "floor" price for rubber from 150 to 157 Malaysian/Singapore cents a kilogram.

Current high market prices of around 350 cents a kilogram mean the reference price of 196.84 cents is likely to be raised by 5 per cent in any event at the next regular price review on August 2. The new reference price of 206.68 cents will be carried over to the new accord, subject to a price review within six months.

To give more flexibility, price reviews will be held every 12, instead of 15, months and the pact's duration has been shortened from five to four years (with the option of two one-year extensions).

'Asia needs to double rice output'

By Alison Maitland

Rice production in Asia must nearly double in the next 30 years from 480m tonnes to more than 800m tonnes to feed an expected 53 per cent increase in population, according to a senior rice economist.

Yet the growth in world rice output is slowing down and "reversing the trend will not be easy," warned Dr Mahabub Hossain, the Bangladeshi head of social sciences at the International Rice Research Institute in the Philippines.

Dr Hossain told an international rice research conference in Los Baños, south of Manila, last week that many poorer countries in Asia had to grow rice 'in unfavourable conditions, for example without irrigation.

He called on scientists to find ways of increasing yields *in non-irrigated areas from two* to four tonnes a hectare and to develop high-yielding varieties to withstand drought, flooding, weeds, nutrient deficiency, pests and diseases.

"These stresses account for more than 80 per cent of the production losses in non-irrigated lowlands and upland areas," he said.

Dr Hossain said the past 30 years had seen many positive developments in rice production. Previous rice importers such as Indonesia and Bangladesh had achieved self-sufficiency and new varieties were *cutting costs and producing* yields of up to 10 tonnes a hectare in irrigated regions.

"But there is no reason to be complacent about past achievements," he said.

World production of rice increased by only 1.7 per cent a year between 1985 and 1993, compared with 3.2 per cent the previous decade and 3.6 per cent between 1965 and 1975.

Moreover, population growth was putting pressure on land resources. The area planted to rice in China fell from 37m hectares in 1976 to 32m in 1992. In rice-growing regions, China *now supports 17 people per* hectare of arable land, Bangladesh 13 and Vietnam 11.

In 30 years' time, there are also expected to be severe constraints on the availability of water in parts of China, India, Pakistan, South Korea and Sri Lanka, said Dr Hossain.

Sugar organisation forecasts lower prices

A further downward drift in world sugar prices is possible as production increases and the world supply/demand balance could tip into surplus next season, the International Sugar Organisation said yesterday, reports Reuters.

"While the rest of the 1994-95 crop cycle remains tight, the production increases seen in the last three months take some of the pressure off and a further downward drift cannot be discounted," said the organisation in its latest market review.

"Weather permitting, and Australia, Brazil and South Africa have already had rains, the world sugar balance could tip into surplus in 1995-96."

The ISO said that such a scenario could push nearby delivery prices back to their post-1989 average of about 10 cents a pound next year, compared with the present level of nearly 15 cents.

It noted that the EU and Australia had already announced their intention to increase the area sown to sugar beet and cane. That was "a significant production response to prices which, although apparently past their peak, remain high for the last 10 years, and at levels very interesting for efficient or subsidised producers", the organisation said.

However, the comments by the ISO secretariat did not necessarily represent the views of its members, the review's authors said.

The organisation said it had cut its estimate of the 1994-95 world sugar deficit to 716,000 tonnes from a November forecast of 1.9m.

It attributed the reduction to an increase in expected world output, especially in Brazil "where production might come close to 12m tonnes". World production was now put at 113.595m tonnes, up from a previous forecast of 112.47m, the ISO said. World consumption would total 114.311m tonnes, little changed from the November estimate, it added.

● At the London Commodity Exchange white sugar futures were little changed as trading was subdued by the absence of input from the New York market, closed for the Presidents' Day holiday.

The May futures position ended a shortened trading session at $401.80 a tonne, down just 60 cents. The price is now more than $20 a tonne below the 4½-year high reached in early January as consuming countries went on a New Year buying spree.

Continent takes lead in meat and poultry production

By Alison Maitland

Asia has nearly doubled its meat and poultry output in the past five years, becoming the world's biggest regional producer, according to a report by Euromonitor, the international market analysts.

Rising domestic demand and genetic and technical advances combined to give the region a 31 per cent share of the 189m tonnes of meat and poultry produced globally in 1993, the report says.

Europe contributed 22.4 per cent of overall output, although production fell by a dramatic 20 per cent in the former Soviet Union. North and Central America produced 21.8 per cent of the total.

While per capita meat consumption fell by 2.4 per cent in the developed world between 1990 and 1993, it grew by 12.2 per cent in developing countries. Asian consumption saw the biggest increase in overall volumes of 29.4 per cent.

"In the short term, Asia stands out as the most inviting prospect in the international meat and poultry industry," says Euromonitor.

It highlights the growth in global demand for poultry and pork, as consumers in countries such as the US have turned away from beef and veal.

China has led the rise in pork-eating. The Chinese ate 22kg a head in 1993, up from 18kg in 1989 – increasing overall consumption by about 6.2m tonnes.

Pork consumption in many western countries benefited from competitive prices and "fewer adverse health associations than beef and lamb", says the report. But Europe's predominant market for pork – Germany – declined, leaving average EU consumption 2 per cent down over the five years.

Pigmeat has the biggest share of world production at 38.3 per cent, with beef and veal still in second place at 28.8 per cent.

But beef consumption declined in most countries between 1989 and 1993, partly because of the price competitiveness of alternative meats but also because of consumers' preference for less fatty foods and concerns over animal welfare, says the report. In the US, recession accelerated the trend, with Americans eating 44kg of beef a head in 1993 compared with 48kg in 1989.

By contrast, consumption of poultry, the third biggest sector, grew by 15 per cent globally. US consumers ate nearly 25 per cent more.

The World Market for Meat and Poultry, Euromonitor, 60-61 Britton Street, London EC1M 5NA. £2,950.

Ireland's Galmoy lead/zinc project looks world class

Operating costs are claimed to be among the lowest 20 per cent in the world, writes **Kenneth Gooding**

Mr Tony O'Reilly junior, admits that his father helped him get his job as deputy chief executive of Arcon International Resources. Not only is his father, as chairman of the H.J. Heinz foods group as well as the owner of an international media empire, probably *Ireland's best-known businessman*, but he and his associates also own 29 per cent of Arcon.

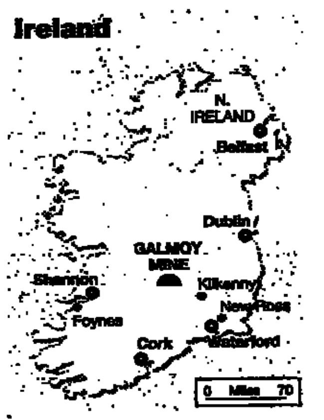
Nevertheless, Mr O'Reilly junior insists that he has not simply been placed at Arcon temporarily to look after his father's interests. He says he asked to get involved because he had caught the mining bug. At the age of 28, Mr O'Reilly feels he has plenty of time to help develop Arcon from its present position as an Irish "junior" natural resources company into a medium-sized, international mining group.

There are not many companies like Arcon in the mining industry. Usually after a small exploration company discovers a big metals deposit it invites one of the big international mining groups to "earn" its way to control and operation of the project, leaving the "junior" to collect income from a minority holding.

But Arcon has fought its way through four years of legal battles with farmers and environmentalists, arranged project finance and is ready to move ahead with construction of Ireland's first new base metals mine for 20 years, at Galmoy in County Kilkenny.

Mr O'Reilly points out that *within two years* the US$100m zinc-lead mine will be spinning off tens of millions of pounds in cash flow. "We don't intend to remain a one-mine company. But it is this project that will facilitate our growth into a medium-sized company," he says. "We must put all our efforts into making sure it succeeds."

Ireland



The mining industry seems convinced about the quality of the Galmoy project. Mr *O'Reilly says its cash costs* will be among the lowest 20 per cent in the world at 37 cents a pound of zinc. Research he commissioned shows that in the past 25 years the zinc price has never fallen below 42 cents a pound in real terms (when prices are adjusted for inflation) and the average price over that time was 58 cents.

Costs will be low because the Galmoy deposit is not very deep (only 70 metres below surface); is high grade (each tonne of ore contains 11.41 per cent zinc and 1.11 per cent lead); and the metal is easily extracted from the ore by conventional methods.

When output starts in October next year, the mine will produce two concentrates (intermediate materials): 135,000 tonnes a year of zinc concentrate containing 74,000 tonnes of the metal; and 10,000 to 12,000 tonnes of lead concentrate containing at least 6,000 tonnes of the metal. Mr O'Reilly has already lined up sales contracts with a group of European smelting companies to process the concentrates, *including* Billiton, MetalEurope, Metallgesellschaft, Outokumpu, Pasminco, and Union Minière.

Last year Arcon raised a $60m (I£39m) limited recourse project loan from NatWest Markets, the corporate and investment arm of National Westminster Bank, and Ulster Investment Bank. The amount almost exactly matches the I£37.83m, fixed-price, turnkey contract for the development of the mine signed this month with two Trafalgar House Group subsidiaries, Cementation and Davy International Stockton.

But the market expects Arcon to raise another I£40m in equity – a hefty amount for a company the market currently values at less that I£30m – to pay off its debts and clean up its balance sheet. Mr O'Reilly will not discuss these market rumours except to say that "logic tells us that Arcon will need some more equity finance".

While most analysts agree that the Galmoy deposit is likely to make a world-class mine, there are some doubts about Arcon's management. Partly this is because both Mr O'Reilly and Mr Brendan Gilmore, chairman and chief executive, were rushed into their present posts because of management upheavals at Arcon.

These resulted in four directors, including Mr Richard Conroy, the chairman and founder, leaving the company, which was originally called Conroy Petroleum. His departure was surprising because in *1992 Mr O'Reilly senior* had supported him when Outokumpu, the Finnish mining and metals group, attempted to take over the Conroy board. Mr O'Reilly's Atlantic Resources company, an oil and gas business, was merged with Conroy and the name was changed to Arcon.

Mr Gilmore, an accountant, is a close associate of Mr O'Reilly senior and has a reputation for prefering a low profile – his financial advisory company does not even have its name in the telephone directory. However, Mr O'Reilly junior points out that Mr Gilmore has handed over all his other business to his partners *and signed a two-year*, full-time contract with Arcon. "He is willing to let mining professionals get on with their jobs and he is also willing to take a high profile position if it is necessary for the good of Arcon shareholders."

Two years ago Arcon hired Mr Jim Tilson, a tough graduate of the Camborne School of Mines in England who has had extensive mine development and operational experience all over the world. He was recently appointed to the Arcon board as technical director and is also managing director of Arcon Mines, the subsidiary that will develop Galmoy. Mr O'Reilly says there is no shortage of experienced and talented senior mining people wanting to move to Ireland and take up positions with Arcon.

"People are willing to go the extra mile *for us although* we are not paying big salaries or bonuses. If we do well they will benefit from stock options," he says.

There is also the presence of Outokumpu, "a non-aggressive" 21.6 per cent shareholder and owner Tara, Ireland's sole zinc mine. Outokumpu is ready to give help and advice.

The Galmoy mine will employ 350 during the construction phase and have 200 permanent employees. The present mineable reserves of 6.2m tonnes are enough to keep the mine active for ten years but so far only about 5 per cent of the 200 square kilometre licence area has been explored and Mr O'Reilly is convinced that there is a lot *more to be found.*

Only 8km away at Lisheen another Irish company, Ivernia West, has discovered a zinc-lead deposit three times the size of Galmoy. It seems almost certain that there is a zinc "province" of international importance in this part of Ireland. There has been some investor pressure for Arcon and Ivernia to get together in some way – particularly as Outokumpu owns 24.5 per cent of Ivernia – but Mr O'Reilly says this does not make sense at present. Ivernia is only just starting the planning process and Arcon needs to establish how much more ore there is in its licence area before serious discussions can begin.

Meanwhile, because the Galmoy planning process went to Ireland's High Court and the Supreme Court, Mr O'Reilly is convinced *that there will be no* more direct threats to the project from environmental objectors, although they might continue to argue with the Irish government.

Arcon is posting a I£4.5m bond to cover the cost of cleaning up and restoring the site at the end of the mine's life and another I£1m in case there is a problem with potable water supplies when mining starts.

Local farmers objected to the project, fearing that mining would lower the water level and dry out their wells. Mr O'Reilly says that some of the farmers' worries were caused by lack of information. "Now that the legal battles are over, we are talking directly to the *farmers and* they have a better comprehension of what we are doing. It is incumbent on us to work with the farmers. You must expect them to have concerns when we are moving from theory to reality with the mine project."

MARKET REPORT

Coffee futures strong

London Commodity Exchange robusta COFFEE futures made strong gains yesterday on the heels of New York's bullish Friday close. Underlying supply tightness also played a part as the May delivery position rose $101 to $2,959 a tonne.

COCOA futures meanwhile prices ended a quiet trading day modestly higher as traders were unwilling to sell in the face of a weak pound – unlike coffee the LCE cocoa contract is denominated in sterling.

Business was slow at the London Metal Exchange, with US markets closed for Presidents' Day and sentiment still *bruised after recent sell-offs.* The ALUMINIUM market was resilient on price dips, however, and finished above a key chart line at around $1,930 a tonne for three months delivery.

News of a 600-tonne rise in January daily average output in International Primary Aluminium Institute member countries was shrugged off as production increases were likely to be the norm now that the impact of producers' agreed production curbs was starting to dwindle, traders said.

Compiled from Reuters

JOTTER PAD

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1898.5-99.5	1932-33
Previous	1880-1	1916-7
High/low		
AM Official	1900-900.5	1934.5-35.0
Kerb close		
Open int.	N/A	
Total daily turnover	54,232	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1835-55	1880-900
Previous	1840-1	1880-5
High/low		
AM Official	1880-70	1905-10
Kerb close		
Open int.	N/A	
Total daily turnover	410	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	581-83	599-601
Previous	573-4	592-3
High/low		
AM Official	581-2	599.5-600.5
Kerb close		
Open int.	N/A	
Total daily turnover	4,227	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	8330-40	8475-85
Previous	8415-25	8560-70
High/low	8350	8580/8470
AM Official	8330-35	8480-90
Kerb close	8490-90	
Open int.	N/A	
Total daily turnover	6,392	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5425-35	5520-30
Previous	5395-405	5480-5
High/low		5545/5500
AM Official	5460-65	5545-50
Kerb close		5530-40
Open int.	N/A	
Total daily turnover	4,067	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1034-36	1058-60
Previous	1035-6	1059-9
High/low		1070/1055
AM Official	1038-39	1062-63
Kerb close		1057-9
Open int.	N/A	
Total daily turnover	14,902	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2880-81	2873-74
Previous	2867-9	2881-3
High/low	2887/2886	2882/2864
AM Official	2885-86	2876-77
Kerb close		2874-5
Open int.	N/A	
Total daily turnover	27,482	

Base metals continued

■ LME AM Official £/$ rate: 1.5844
LME Closing £/$ rate: 1.5831

Spot: 1.5823 3 mths: 1.5804 6 mths: 1.5780 9 mths: 1.5748

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	379.25-379.55		
Opening	379.00-379.40		
Morning fix	379.30	239.578	472.911
Afternoon fix	379.20	239.500	472.749
Day's High	379.60-379.90		
Day's Low	379.00-379.30		
Previous close	378.20-378.60		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.85	6 months	5.38
2 months	4.94	12 months	5.87
3 months	5.00		

Silver Fix	p/troy oz.	US cts equiv.
Spot	301.95	478.25
3 months	306.45	484.80
6 months	311.80	492.45
1 year	324.05	509.75

Gold Coins	$ price	£ equiv.
Krugerrand	379-382	239-242
Maple Leaf	390.15-392.65	
New Sovereign	88-91	56-59

ENERGY

■ CRUDE OIL IPE ($/barrel)

	Sett price	Day's change	High	Low	Open int	Vol
Apr	16.97	-0.17	17.18	16.96	74,598	10,026
May	16.87	-0.11	17.00	16.83	22,525	3,678
Jun	16.84	-0.03	16.90	16.84	14,404	352
Jul	16.70	-0.10	16.82	16.70	11,320	469
Aug	16.66	-0.11	16.76	16.66	4,678	1,184
Sep	16.64	-0.15	16.69	16.69	2,248	191
Total					145,803	16,408

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	144.25	+0.25	145.50	144.25	43,625	3,145
Apr	148.00	+0.25	148.75	148.00	19,379	1,597
May	146.50	+0.25	146.50	146.50	9,386	242
Jun	147.00	+0.75	147.00	146.75	9,285	151
Jul	148.00	+0.25	148.00	147.75	3,088	156
Aug	148.75	+0.75	149.50	149.25	1,848	400
Total					87,031	5,817

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	108.90	+0.70	108.90	108.25	886	49
May	110.10	+0.45	110.10	108.75	2,006	193
Jul	111.20	+0.50	111.20	111.00	343	2
Sep	98.65	+0.20	98.65	98.50	188	47
Nov	99.80	+0.35	99.80	99.75	1,958	12
Jan	101.60	+0.10	101.60	101.50	361	26
Total					5,823	388

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	103.15	+0.15	103.15	103.00	279	8
May	104.65	+0.20	-	-	89	-
Sep	96.85	-	-	-	102	-
Nov	99.25	+0.25	-	-	326	-
Jan	100.75	+0.15	100.75	100.75	47	10
Mar	101.96	-	-	-	15	-
Total					858	18

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	335.1	-18.4	-	-	715	89
Apr	281.8	+3.5	283.0	273.5	56	4
May	310.3	+2.8	310.0	306.0	-	-
Jun	250.0	-	-	-	-	-
Nov	105.0	-	-	-	-	-
Total					781	99

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	2035	+7	2035	2020	324	82
Mar	2050	+25	2055	2034	294	106
Apr	2045	+16	2050	2031	1,483	164
Jul	1785	+20	1790	1770	875	34
Oct	1781	+6	1785	1785	743	2
Jan	1758	+4	0	0	108	-
Total					3,828	388

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	1037	+4	1037	1028	25,659	533
May	1029	+8	1030	1021	24,146	618
Jul	1036	+7	1037	1033	11,684	99
Sep	1045	+6	1048	1041	11,988	33
Dec	1047	+5	1049	1048	13,740	4
Mar	1055	+3	1057	1056	13,650	15
Total					112,573	1,336

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	2998	+77	3008	2985	5,632	697
May	2959	+101	2960	2920	11,894	1,822
Jul	2898	+101	2907	2985	4,645	718
Sep	2878	+108	2878	2850	4,232	126
Nov	2860	+107	-	-	1,182	-
Jan	2843	+103	-	-	182	-
Total					27,832	3,363

Softs continued

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	14.88	+0.06	-	-	925	-
May	14.92	-	-	-	880	-
Jul	14.28	-	-	-	2,300	-
Oct	13.23	-	-	-	-	-
Jan	13.20	-	-	-	-	-
Total					4,095	-

■ WHITE SUGAR LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
May	401.7	-0.7	403.2	401.7	9,324	234
Aug	383.7	+0.4	384.7	383.0	6,446	148
Oct	351.1	-0.2	351.9	351.1	2,352	17
Dec	345.4	-0.3	-	-	217	-
Mar	342.4	-0.3	-	-	398	-
May	342.3	+0.7	342.3	338.0	210	15
Total					19,147	414

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Apr	Jul	Apr	Jul
1850	151	189	84	104
1900	123	173	85	127
1950	98	149	110	152

■ COPPER (Grade A) LME	Apr	Jul	Apr	Jul
2700	207	170	32	85
2800	140	120	64	131
2900	89	80	110	189

■ COFFEE LCE	Mar	May	Mar	May
2700	328	358	70	159
2750	295	329	86	180
2800	263	277	104	203

■ COCOA LCE	Mar	May	Mar	May
1025	46	89	42	58
1050	35	58	56	72
1075	27	48	73	87

■ BRENT CRUDE IPE	Apr	Jul	Apr	Jul
1650	61	-	9	-
1700	30	-	29	-
1750	11	-	59	-

Tea
There was good demand this week reports the Tea Broker's Association. Most East Africans remained firm with mediums occasionally moving higher. The few Ceylons on offer sold well at dearer rates. Quotations: best available: 150p/kg, nom good: 125p/kg, good medium: 115p, medium: 98p, low medium: 85p. The highest price realised this week was 187p/kg *for a kenya pf.1.*

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Apr)

		+or-
Dubai	$16.63-6.65z	-0.095
Brent Blend (dated)	$17.41-7.44	+0.005
Brent Blend (Apr)	$16.99-7.02	-0.105
W.T.I. (1pm est)	$18.74-8.79z	

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$173-175	+2
Gas Oil	$147-148	
Heavy Fuel Oil	$107-109	+2
Naphtha	$169-171	+1
Jet fuel	$165-167	+1.5
Diesel	$151-152	

Petroleum Argus. Tel. London (071) 359 8792

■ OTHER

Gold (per troy oz)♣	$379.40	+1.00
Silver (per troy oz)♣	478.5c	+1.0
Platinum (per troy oz.)	$417.50	+2.25
Palladium (per troy oz.)	$157.25	
Copper (US prod.)	140.0c	
Lead (US prod.)	41.75c	
Tin (Kuala Lumpur)	13.69m	+0.10
Tin (New York)	256.50c	
Cattle (live weight)†	120.37p	+0.22*
Sheep (live weight)†♠	121.82p	+2.40*
Pigs (live weight)	82.01p	-0.81*
Lon. day sugar (raw)	$361.3	+4.9
Lon. day sugar (wte)	$407.5	+4.5
Tate & Lyle export	£343.0	+3.0
Barley (Eng. feed)	£110.0	
Maize (US No3 Yellow)	£141.0	
Wheat (US Dark North)	£165.0	
Rubber (Mar)♥	113.0p	
Rubber (Apr)♥	113.0p	
Rubber (KL RSS No1)	442.5m	+2.0
Coconut Oil (Phil)§	$645.0y	
Palm Oil (Malay.)§	$672.5t	
Copra (Phil)§	$416.0y	
Soyabeans (US)	£168.0q	
Cotton Outlook'A' index	102.25c	+1.20
Wooltops (64s Super)	532p	+20

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. z Apr. t Mar. y Mar/Apr. q Feb/Apr ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week © Prices are for previous day.

INDICES

■ REUTERS (Base: 18/9/31=100)

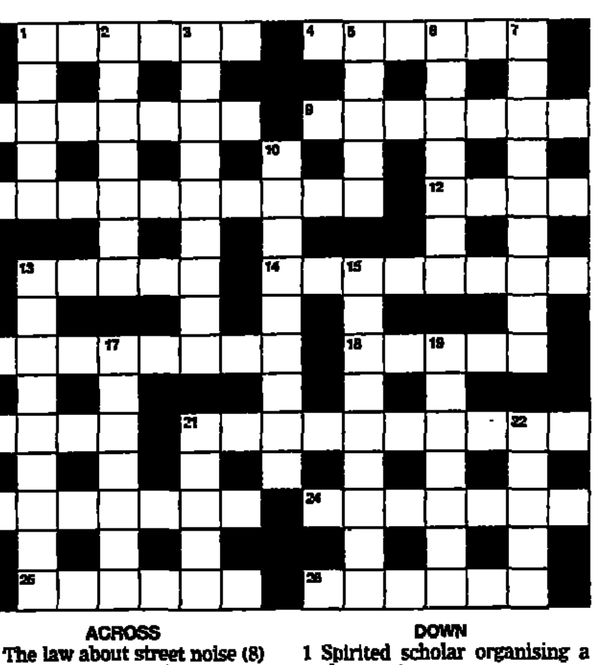
Feb 20	Feb 17	month ago	year ago
1186.9	2283.1	2294.4	1792.9

■ CRB Futures (Base: 1967=100)

Feb 17	Feb 16	month ago	year ago
235.03	234.22	236.50	-

CROSSWORD

No.8,692 Set by VIXEN



ACROSS
1 The law about street noise (8)
4 Can set out for a climb (6)
8 Some seem in entertaining mood, which is great (7)
9 A worker falling in a heap on the roof (7)
11 Where cakes are served – assorted pastries, that is (10)
12 Exposes pretentiousness (4)
13 A thousand fighting men stood back for this Greek character (5)
14 Going along with the current movement (8)
16 To declare fit means otherwise (8)
18 Some delinquents require such a guard (5)
20 Silver is given to a painter in India (4)
21 They have simple ways of dealing with ill-health (10)
23 Making a lofty point over the church (7)
24 A child gets absorbed in stories – and that's understatement (7)
25 Note: go for profit (6)
26 Plan a holiday under canvas? (6)

DOWN
1 Spirited scholar organising a dance (5)
2 Settling for the wrong man at the top (7)
3 Place sand strategically and you could have a work of art (9)
5 Labour needs to retain about fifty (5)
6 Withdraw once pamphlet is taken (7)
7 Allowance to cut without hesitation (9)
10 Directors in revolt – they've not been paid (9)
13 Crime perpetrated by real thugs (9)
15 Within the home no one backs increasing living expenses (9)
17 Most ludicrous though popular article on bird sanctuary (7)
19 Not a single part is objectionable (7)
21 The person who drags may well appear more robust (5)
22 Sober man admitting having to do with a deal made (5)

Solution to Saturday's prize puzzle on Saturday March 4.
Solution to yesterday's prize puzzle on Monday March 6.

Strong demand for Spain's Y150bn issue

By Martin Brice

A quiet day in the eurobond markets yesterday was dominated by the biggest bond of the year when the Kingdom of Spain brought its expected Y150bn 10-year deal.

IBJ International won the mandate for the bond, the largest deal on which it has been sole book-runner.

INTERNATIONAL BONDS

The bank said the 4.75 per cent coupon was "absolutely key" to the success of the deal, and having won the mandate to bring the deal at a spread of 13 basis points over the No 177 Japanese government bond, had to put a price of 100.078 on the transaction. The bonds produced funds for Spain at a price of yen Libor flat.

The bidding range from other houses was believed to be in the range of 8 to 13 basis points, with the move for 8 basis points said to come from a US bank.

However, other syndicates said IBJ was a front-runner to win the mandate for the deal due to its participation in the Ecu6bn syndicated loan for Spain last year.

The deal was unlisted, which meant Japanese investors need not value the bonds at market price at the end of their financial year, a process known as "marking to market". IBJ said it had sold Y100bn of the bonds itself. It planned to break syndicate overnight in London, during Tokyo trading.

The deal was said by other houses to have gone very well, with some reporting that they had asked for more bonds than their allocation but had been turned down. A trader said that the Japanese are hungry for yen at the moment. Another said: "I couldn't fault this deal."

However, some syndicates said there had been resistance from Japanese investors to paying more than par for a bond, and pointed out that the bonds could be sold at par and still be within fees. They said demand for the bonds would be entirely Japanese, with the US shut.

Another sovereign borrower was in the market yesterday, with Paribas bringing a Ecu400m three-year deal with a 7.75 per cent coupon for the Republic of Austria.

Deutsche Bank brought a L150bn deal carrying a 10.5 per cent coupon for The Council of Europe, with a predominantly Italian syndicate. The bonds carry a tax advantage for domestic investors: they will be exempt from inheritance tax if the holder dies during the life of the bonds, although since they carry an 18-month maturity it is questionable what effect this had on sales.

Nikko brought a A$100m, two-year issue with a coupon of 5 per cent for the Export Finance and Insurance Corporation. The deeply-discounted price of 93 was designed to protect Japanese investors against a possible appreciation of the yen.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
YEN							
Kingdom of Spain(a)	150bn	4.75	100.078R	Mar.2005	0.325R	-	IBJ Intl.
LIRE							
Council of Europe(b)	150bn	10.5	101.078	Oct.1996	1.00	-	Deutsche Bank
AUSTRALIAN DOLLARS							
Exp. Finance & Ins. Corp(b)	100	5.00	93.00R	Mar.1997	1.125R	-	Nikko Europe
ECUs							
Republic of Austria(c)	400	7.75	100.06R	Mar.1998	0.15R	-12 (7¼%-98)	Paribas Cap. Mkts.
PESETAS							
DSL(d)	10bn	11.5	101.385	Mar.2000	1.825	-	Banco Central Hispano

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ¤Unlisted. §Convertible. ¢With equity warrants. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) Long first coupon. b) Short first coupon. c) Spread relates to Ecu BTAN. d) Full name of Borrower: Deutsche Siedlungs und Landesrentenbank.

Convertible bond indices and futures launched

By Norma Cohen, Investments Correspondent

Smith New Court has created two benchmark indices to track the performance of UK convertible bonds and launched futures contracts to trade in line with the indices.

One of the indices and its related futures contract will track the performance of the top 35 UK-issued sterling convertibles, while the other will track the performance of the underlying shares.

Convertible bonds typically pay a sub-market rate of interest to investors but offer the possibility of obtaining the company's shares at a discount to future market prices.

Smith New Court is a leading market-maker in convertible securities.

Mr Huw Leyshon, head of UK convertibles at SNC, said the move was part of the firm's intention to grow its derivatives presence generally.

It also has several other derivatives contracts, which, like the two new contracts, trade over the counter rather than on the London International Financial Futures Exchange.

SNC has guaranteed that the bid/offer spread on its futures contract will always be equal to the spread on the underlying securities. Both price indices and the level of conversion premium on the convertible index will be quoted live on SNC's pages on Reuters.

The new contracts are intended to capitalise on what SNC believes will be a surge of interest in the UK convertibles sector during the 1995-96 fiscal year. Mr Leyshon expects some £2bn to £3bn to be invested in convertibles, partly reflecting recent tax changes making the instruments eligible for inclusion in personal equity plans.

Loan terms linked to aluminium price

By Martin Brice

Repayments on a syndicated loan to build an aluminium smelter in the Middle East are to be linked to the price of aluminium.

The $250m, five-year term loan for the Dubai Aluminium Company (Dubal) has been handled by Merrill Lynch, with co-arrangers Emirates Bank International and National Bank of Dubai.

The deal has been launched into syndication, targeted at local and foreign lenders in Dubai and Japanese, European and North American lenders with no local presence. It has been structured to protect Dubal against a fall in the price of aluminium during the life of the loan.

Repayment of the loan starts after 2½ years, and will be made in six equal payments of $41.67m.

The actual size of the repayment will depend on the price of aluminium. If the price rises, Dubal will repay more than the $41.67m, up to a limit of $63.5m. If the price falls, Dubai will pay less than the $41.67m.

A maximum price of $1,750 a tonne for aluminium has been set, and a series of swaps with Merrill offsets the co-arrangers' risk.

The loan will drawn at the beginning of the term and managed by Merrill Lynch Asset Management for Dubal until work starts on the project.

The loan has a cost of 50 basis points over London interbank offered rate and a management fee of 20 basis points.

A Merrill Lynch official said: "Bank appetite for Dubai risk is considerable in the Middle East. The entire $250m could have been placed locally but the Emirate wanted to form new banking relationships with lenders not only in Dubai but also internationally."

The loan was structured by the commodity derivatives group at Merrill in London and underwritten and syndicated by the private placements group.

Merrill shifts emerging market funds to Brazil

Merrill Lynch has shifted some of its global emerging market portfolio out of Malaysia into Brazil, which appears to have been jolted into speeding up economic reform by events in Mexico, Reuter reports.

Mr Charles Clough, Merrill's chief international strategist said Malaysia had been hesitant to raise interest rates despite growing inflationary pressures, "which in turn are a residual of those low real interest rates". He noted that Malaysian interest rates are below those in the US and "it is clear an economic slowdown and an earnings peak lie ahead".

Both Asian and Latin American markets are dependent on external capital flows, he said. "Countries which may have to raise domestic interest rates to sustain capital inflows or which face a possible slowing in foreign direct investment should be monitored," Mr Clough warned.

He said Brazil's economic reform programme was gathering steam because of the crisis in Mexico. "Privatisations are picking up and inflation numbers continue to look good. The risk is that the real is overvalued and its devaluation has to occur without the type of collapse that hit the peso."

DTB to extend trading by 90 minutes

By Richard Lapper

The Deutsche Terminbörse, the Frankfurt-based futures and options exchange, is to extend trading in stock and index-linked products by 90 minutes each day.

From May 22, the exchange will trade the products from 9am to 5pm compared with the current 9.30am to 4pm. The step is aimed in particular at North American investors.

Last month the Commodity Futures Trading Commission, which regulates US derivatives exchanges, cleared the way for DAX futures contracts to be actively marketed in the US.

The DTB extension is also designed to bring trading hours for derivatives more in line with hours on the underlying market.

Europe little changed in thin volumes

By Graham Bowley

European government bond markets were little changed in low trading volumes, lacking momentum with the US closed for Presidents' Day.

"The markets are waiting for the US to come back into gear and waiting for the Humphrey-Hawkins testimony on Wednesday, the key event of the week," said Mr John Shepperd of Yamaichi International.

Mr George Magnus of S. G. Warburg said US Treasuries' reaction to the recent weakness of the dollar would be important for the lead they give to Europe in the coming days.

Concerns about the strength of the D-Mark against most other European currencies, as well as political concerns, continued to weigh on the markets, particularly in the UK, traders said. "There are a series of local concerns which are keeping investors on the sidelines," said Mr Magnus. "Wherever you are, there is some reason for investors not to get involved."

■ UK gilts moved slightly lower in subdued trading, with the long gilt future on Liffe down 3/32 to 101 11/32 in late trade.

GOVERNMENT BONDS

Attention is on tomorrow's auction of £2bn of 8½ per cent 2005 gilts, which dealers said is likely to be successful.

"There has been some switching into 10-year gilts, particularly out of the five-year, and a further cheapening at the 10-year area could trigger more of that, taking care of the auction," said Mr Bob Pierce of Salomon Brothers.

However, dealers said there is unlikely to be significant foreign participation in the market, with the recent weakness of sterling and domestic political tensions causing increasing nervousness.

Gilt yield spreads over Germany and France have widened but "we are still more likely to see switches out of gilts into Europe rather than other way round, because of political worries," said Mr Pierce.

Money supply data had little impact on the market despite strong growth in M4 lending. The spread over bunds widened slightly to 145 basis points.

■ German government bonds moved slightly lower, with the March bund futures contract on Liffe down 0.02 point at 90.66 in late trading.

"Everything is very quiet ahead of M3 money supply and cost of living data out this week," said Ms Katy Peters of Daiwa Europe.

■ French government bonds ended the day unchanged with the March futures contract on Matif settling at 112.08.

Traders said the continued erosion of prime minister Mr Edouard Balladur's popularity is being eyed with increasing nervousness by investors, particularly with the weakness of the French franc.

■ Italian government bonds moved lower, with attention on the Dini government's mini-budget expected this week.

Traders are also waiting for the announcement, expected tomorrow, of the size of next month's bond auction.

The Italian March futures contract on Liffe was down 0.18 at 99.82 in late trading.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.000	09/04	92.6000	-0.160	10.23	10.23	10.37
Austria		7.500	01/05	99.0800	+0.020	7.63	7.69	7.80
Belgium		7.750	10/04	96.2000	-0.170	8.33	8.33	8.49
Canada *		9.000	12/04	100.3000	+0.200	8.35	9.10	9.38
Denmark		7.000	12/04	88.1500	+0.050	8.85	8.92	9.15
France	BTAN	8.000	05/98	101.0900	+0.050	7.59	7.60	7.27
	OAT	7.500	04/05	96.6000	-0.070	7.99	8.04	8.31
Germany Bund		7.375	01/05	99.7300	-0.020	7.41	7.47	7.64
Ireland		6.250	10/04	83.1500	-0.150	8.79†	8.79	8.78
Italy		9.500	01/05	85.7800	-0.090	11.99	12.01	12.19
Japan	No 119	4.800	06/99	103.7030	+0.020	3.83	3.93	3.96
	No 164	4.100	12/03	97.1380	+0.160	4.56	4.63	4.66
Netherlands		7.250	10/04	98.0300	-0.010	7.54	7.60	7.77
Portugal		8.875	01/04	85.2000	+1.100	11.65	11.65	11.64
Spain		10.000	02/05	90.7000	-0.120	11.60	11.58	12.07
Sweden		6.000	02/05	71.5130	-0.130	10.81	10.74	11.15
UK Gilts		6.000	08/99	90-19	-6/32	8.59	8.57	8.64
		8.500	12/05	98-25	-7/32	8.67	8.71	8.72
		9.000	10/08	102-27	-7/32	8.64	8.68	8.68
US Treasury *		7.500	02/05	-	-	-	7.62	7.82
		7.625	02/25	-	-	-	7.73	7.86
ECU (French Govt)		6.000	04/04	84.9300	-0.050	8.42	8.46	8.73

London closing, *US market closed. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

4pm (Feb 17)

		Treasury Bills and Bond Yields			
Prime rate	9	One month	5.70	Two year	7.06
Broker loan rate	8½	Two month	6.00	Three year	7.20
Fed funds	5⅞	Three month	5.87	Five year	7.32
Fed funds at intervention	-	Six month	6.26	10-year	7.42
		One year	6.62	30-year	7.58

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	112.04	112.08	-	112.10	111.98	23,600	149,409
Jun	111.18	111.22	-	111.24	111.12	5,723	14,760
Sep	110.48	110.52	-	110.52	110.42	62	3,770

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
111	1.08	1.39	-	0.05	1.20	-
112	0.28	0.89	1.07	0.22	1.68	-
113	0.04	0.52	-	-	-	-
114	0.02	0.27	0.50	-	-	-
115	-	-	-	-	-	-

Est. vol. total, Calls 12,180 Puts 14,000 . Previous day's open int., Calls 204,563 Puts 218,222.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	90.59	90.66	-0.02	90.70	90.59	27647	203192
Jun	90.15	90.10	-0.09	90.16	90.09	3306	21725

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Mar	CALLS Apr	CALLS May	CALLS Jun	PUTS Mar	PUTS Apr	PUTS May	PUTS Jun
9050	0.22	0.39	0.60	0.77	0.06	0.79	1.00	1.17
9100	0.04	0.23	0.42	0.57	0.38	1.13	1.32	1.47
9150	0	0.13	0.29	0.41	0.84	1.53	1.69	1.81

Est. vol. total, Calls 8934 Puts 4098. Previous day's open int., Calls 230715 Puts 179999

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	99.88	99.82	-0.18	100.00	99.76	8854	50173
Jun	98.78	98.79	-0.17	98.90	98.78	223	3816

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Mar	CALLS Jun	PUTS Mar	PUTS Jun
9950	0.32	1.40	0	2.11
10000	0	1.18	0.18	2.39
10050	0	0.98	0.68	2.69

Est. vol. total, Calls 2390 Puts 840. Previous day's open int., Calls 33905 Puts 30994

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	85.18	85.05	-0.20	85.20	85.02	15,992	50,461
Jun		84.50	-			160	1,271

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	101-16	101-11	-0-08	101-17	101-06	18453	90702
Jun	101-18	101-15	-0-07	101-18	101-16	3861	3107

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS Mar	CALLS Apr	CALLS May	CALLS Jun	PUTS Mar	PUTS Apr	PUTS May	PUTS Jun
101	0-29	1-13	1-34	1-56	0-07	0-47	1-04	1-26
102	0-03	0-45	1-02	1-24	0-45	1-15	1-36	1-58
103	0	0-23	0-42	0-61	1-42	1-57	2-12	2-31

Est. vol. total, Calls 5588 Puts 2406. Previous day's open int., Calls 47471 Puts 60459

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	81.98	82.06	-0.04	82.06	81.98	1,089	6,641
Jun	-	81.86	-0.04	-	-	-	1,658

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100% (Feb 17)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	102-24	102-17	-0-08	102-24	102-10	521,658	343,462
Jun	102-07	102-01	-0-06	102-07	101-26	17,527	48,332
Sep	101-21	101-21	-0-05	101-23	101-16	1,662	8,189

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Mar	109.26	-	-	109.26	109.15	454	0
Jun	108.51	-	-	108.54	108.41	1624	0

* LIFFE futures also traded on APT. All Open Interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Mon Feb 20	Day's change %	Fri Feb 17	Accrued interest	xd adj. ytd		Low coupon yield Feb 20	Feb 17	Yr. ago	Medium coupon yield Feb 20	Feb 17	Yr. ago	High coupon yield Feb 20	Feb 17	Yr. ago
1 Up to 5 years (23)	118.94	-0.02	118.96	1.75	1.78	5 yrs	8.62	8.59	6.08	8.65	8.62	6.26	8.81	8.78	6.38
2 5-15 years (22)	139.00	-0.15	139.21	1.82	2.06	15 yrs	8.55	8.52	6.88	8.66	8.63	7.03	8.87	8.84	7.20
3 Over 15 years (9)	153.72	-0.24	155.18	0.34	4.05	20 yrs	8.50	8.48	6.97	8.66	8.63	7.03	8.78	8.75	7.22
4 Irredeemables (6)	178.43	-0.06	178.55	3.28	0.00	Irred.†	8.54	8.53	7.02						
5 All stocks (60)	135.90	-0.12	136.24	1.59	2.28										

Index-linked							Inflation 5% Feb 20	Feb 17	Yr. ago	Inflation 10% Feb 20	Feb 17	Yr. ago
6 Up to 5 years (2)	188.58	-0.07	188.71	0.54	1.45	Up to 5 yrs	3.75	3.70	2.22	2.35	2.30	1.29
7 Over 5 years (11)	173.99	-0.11	174.19	0.69	0.80	Over 5 yrs	3.89	3.88	3.15	3.69	3.68	2.98
8 All stocks (13)	174.60	-0.11	174.79	0.67	0.86							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Feb 20	Feb 17	Feb 16	Feb 15	Feb 14	Yr ago	High*	Low*
Govt. Secs. (UK)	90.89	91.06	91.10	91.07	90.66	118.1	107.04	89.54
Fixed interest	109.82	109.74	109.82	109.61	109.92	105.4	133.87	106.50

* for 1994/5. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94) , low 50.53 (3/1/75) . Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Feb 17	Feb 16	Feb 15	Feb 14	Feb 13
Gilt Edged bargains	79.1	104.6	157.1	195.3	92.2
5-day average	125.7	127.5	124.6	112.8	93.0

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on February 20

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	90⅝	90⅞	+⅛	8.10
Alberta Province 7⅞ 96	1000	99⅝	100		7.73
Austria 8½ 00	400	103⅜	103⅝	+⅛	7.65
Bank Ned Gemeenten 7 99	1000	97⅞	98⅛	+⅛	7.56
Bank of Tokyo 8⅜ 96	100	100⅞	101¼		7.50
Belgium 5½ 03	1000	84¾	85	+⅛	7.99
BFCE 7¾ 97	150	100⅝	101	+⅛	7.40
British Gas 0 21	1500	11⅝	12	-⅛	8.39
Canada 9 96	1000	101¾	101⅞		7.15
Cheung Kong Fin 5½ 98	500	89½	90		9.02
China 6½ 04	1000	85⅞	86⅛	-⅛	9.09
Council Europe 8 98	100	100¾	101⅛		7.39
Credit Foncier 9½ 99	300	105⅞	106⅛	+⅛	7.74
Denmark 5¾ 98	1000	95¼	95½		7.57
East Japan Railway 6⅝ 04	600	91¼	91½		8.02
ECSC 8¼ 98	193	101⅛	101⅜	+⅛	7.44
EEC 8¼ 96	100	101⅛	101⅜		7.28
EIB 7¾ 98	250	100⅝	101		7.21
EIB 9¼ 97	1000	104⅛	104½		7.50
Elec de France 9 98	200	103⅝	104		7.62
Eurofima 9¼ 96	100	101⅞	102¼	-⅛	7.33
Ex-Im Bank Japan 8 02	500	101	101⅜		7.80
Export Dev Corp 9½ 98	150	105⅛	105½		7.70
Federal Natl Mort 7.40 04	1500	98	98¼		7.85
Finland 6¾ 97	3000	98⅛	98⅜		7.65
Ford Motor Credit 6¼ 98	1500	96	96⅜		7.91
Gen Elec Capital 9⅝ 96	300	102¼	102⅝		7.44
GMAC 9⅛ 96	200	101½	101¾	+⅛	7.58
Ind Bk Japan Fin 7⅞ 97	200	99⅞	100½		7.92
Inter Amer Dev 7⅝ 96	200	100¼	100⅝		7.40
Italy 6⅞ 23	3500	80⅛	80½		8.98
Japan Dev Bk 8⅜ 01	500	102¾	103	+⅛	7.78
Kansai Elec Pwr 10 96	350	102⅝	102⅞		7.42
Korea Elec Power 6⅜ 03	1350	87⅛	87⅝	+⅛	8.66
LTCB Fin 8 97	200	100⅛	100⅝		7.91
Matsushita Elec 7¼ 02	1000	96½	96¾		8.03
Norway 7¼ 97	1000	99¾	100		7.36
Ontario 7⅜ 03	3000	96⅛	96½		8.21
Oster Kontrollbank 8½ 01	200	103½	103⅞		7.75
Petro-Canada 7¼ 96	200	99¾	100¼		7.43
Portugal 5¾ 03	1000	86⅛	86⅜		8.16
Quebec Hydro 9¾ 98	150	105¼	105⅝	+¼	7.99
Quebec Prov 9 98	200	102⅝	103⅛		8.00
Sainsbury 9⅛ 98	150	102⅛	102½		7.82
SAS 10 99	200	105	105⅝		8.48
SNCF 9½ 98	150	105⅜	105¾		7.63
Spain 6½ 99	1500	95¼	95½		7.75
State Bk NSW 8½ 98	200	101⅛	101½		7.54
Sweden 6½ 03	2000	91¼	91½		8.16
Swedish Export 8⅜ 98	700	101	101¼		7.39
Tokyo Elec Power 6⅛ 03	1000	89	89¼	+⅛	7.95
Tokyo Metropolis 8¼ 96	200	101⅛	101½		7.49
Toyota Motor 5⅝ 98	1500	95	95¼		7.50
United Kingdom 7¼ 02	3000	97⅜	97½	+⅛	7.70
World Bank 6⅜ 99	1500	103½	103¾		7.60
World Bank 8⅜ 97	1500	103	103¼	-⅛	7.28
DEUTSCHE MARK STRAIGHTS					
Austria 6½ 24	2000	83⅝	83⅞		7.96
Credit Foncier 7¼ 03	2000	97¼	97⅝	-⅛	7.72
Denmark 6⅛ 98	2000	98¼	98½		6.75
Depfa Finance 6⅜ 03	1500	91⅝	91¾		7.73
Deutsche Bk Fin 7½ 03	2000	98¾	99¼		7.71
EEC 6½ 00	2800	98	98⅛	+⅛	6.98
EIB 6¼ 00	1500	96¾	97¼	-⅛	7.02
Finland 7½ 00	3000	101¼	101⅝	+⅛	7.19
Italy 7¼ 98	5000	100¾	100⅞		6.96
LKB Baden-Wuert 6½ 08	2250	89⅜	89⅝	+⅛	7.79
Norway 6⅛ 98	1500	98⅜	98½	+⅛	6.69
Ontario 6⅜ 04	1500	90	90⅜		7.85
Spain 7¼ 03	4000	97½	97⅞	-⅛	7.69
Sweden 8 97	2500	102¼	103		6.63
United Kingdom 7⅛ 97	5500	101½	101⅝		6.46
Volkswagen Intl Fin 7 03	1000	94¾	95¼	-⅛	7.89
World Bank 0 15	2000	22⅞	23⅝	+⅛	7.45
World Bank 5⅞ 03	3000	89½	89⅝		7.56
World Bank 8¾ 00	1250	110¼	113	+⅛	6.35
SWISS FRANC STRAIGHTS					
Asian Dev Bank 6 10	100	102	103		5.80
Austria 4½ 00	1000	97⅞	98	+⅛	4.99
Council Europe 4¾ 98	250	100	100¼		4.75
Denmark 4¼ 99	1000	97⅛	97¼		4.92
EIB 6¾ 04	300	107	108	-½	5.78
Elec de France 7¼ 06	100	109½	110		6.03
Finland 7¼ 99	300	107¼	107¾	+¼	5.43
Hyundai Motor Fin 8½ 97	100	106	107½		5.88
Iceland 7⅞ 00	100	109	109½		5.65
Kobe 6⅜ 01	240	104¾	105¼	+¼	5.47
Ontario 6¼ 03	400	102½	103	-¼	5.86
Quebec Hydro 5 08	100	86	86½		6.69
SNCF 7 04	450	110¼	110½	+⅛	5.59
World Bank 5 03	150	98¼	98¾		5.26
World Bank 7 01	600	108⅜	108¾	+⅛	5.34
YEN STRAIGHTS					
Belgium 5 99	75000	104⅛	104½		4.01
EIB 6⅝ 00	100000	111⅜	111⅝		4.09
Finland 6⅞ 96	50000	104⅜	104⅝		2.64
Inter Amer Dev 7¼ 00	30000	114	114¼		4.21
Italy 3½ 01	300000	93½	93⅝		4.75
Japan Dev Bk 5 99	100000	104⅞	105	+⅛	3.82
Japan Dev Bk 6½ 01	120000	111⅝	111¾		4.42
Nippon Tel Tel 6⅞ 96	50000	104⅝	104⅞		2.86
Norway 5⅛ 97	150000	104½	104¾		3.00
SNCF 6¾ 00	30000	111¾	112	+⅛	4.12
Spain 5¾ 02	125000	106¾	107		4.61
Sweden 4⅝ 98	150000	103	103¼		3.54
World Bank 5¼ 02	250000	104⅝	104¾		4.53
OTHER STRAIGHTS					
Genfinance Lux 8⅛ 99 LFr	1000	104¾	105¾	+¼	7.73
IKB Deut Industbk 8½ 03 LFr	3000	100½	101½	+¼	8.40
World Bank 8 96 LFr	1000	101⅛	101¾		6.93
ABN Amro 6⅝ 00 Fl	1000	97⅛	97⅜		7.31
Bank Ned Gemeenten 7 03 Fl	1500	96⅛	96½		7.66
Alberta Province 10⅝ 98 C$	500	[illegible]	[illegible]	[illegible]	[illegible]
Bell Canada 10⅝ 99 C$	150	[illegible]	[illegible]	[illegible]	[illegible]
British Columbia 10 96 C$	500	[illegible]	[illegible]	[illegible]	[illegible]
EIB 10⅛ 98 C$	130	[illegible]	[illegible]	[illegible]	[illegible]
Elec de France 9¾ 99 C$	275	[illegible]	[illegible]	[illegible]	[illegible]
Gen Elec Capital 10 96 C$	300	[illegible]	[illegible]	[illegible]	[illegible]
KfW Int Fin 10 01 C$	400	[illegible]	[illegible]	[illegible]	[illegible]
Nippon Tel Tel 10¼ 99 C$	200	[illegible]	[illegible]	[illegible]	[illegible]
Ontario 8 03 C$	1500	[illegible]	[illegible]	[illegible]	[illegible]
Ontario Hydro 10⅞ 99 C$	500	[illegible]	[illegible]	[illegible]	[illegible]
Oster Kontrollbank 10¼ 99 C$	150	[illegible]	[illegible]	[illegible]	[illegible]
Quebec Prov 10½ 98 C$	200	[illegible]	[illegible]	[illegible]	[illegible]
Belgium 9⅛ 96 Ecu	1250	[illegible]	[illegible]	[illegible]	[illegible]
Council Europe 9 01 Ecu	1100	[illegible]	[illegible]	[illegible]	[illegible]
Credit Lyonnais 9 96 Ecu	125	[illegible]	[illegible]	[illegible]	[illegible]
EIB 10 97 Ecu	1125	[illegible]	[illegible]	[illegible]	[illegible]
Ferro del Stat 10⅛ 98 Ecu	500	[illegible]	[illegible]	[illegible]	[illegible]
Italy 10¾ 00 Ecu	1000	[illegible]	[illegible]	[illegible]	[illegible]
Spain 9 96 Ecu	1000	[illegible]	[illegible]	[illegible]	[illegible]
United Kingdom 9⅛ 01 Ecu	2750	[illegible]	[illegible]	[illegible]	[illegible]
AIDC 10 99 A$	100	[illegible]	[illegible]	[illegible]	[illegible]
Comm Bk Australia 13¾ 99 A$	100	[illegible]	[illegible]	[illegible]	[illegible]
EIB 7¾ 99 A$	350	[illegible]	[illegible]	[illegible]	[illegible]
NSW Treasury Zero 0 20 A$	1000	[illegible]	[illegible]	[illegible]	[illegible]
R & I Bank 7¾ 03 A$	125	[illegible]	[illegible]	[illegible]	[illegible]
State Bk NSW 9 02 A$	300	[illegible]	[illegible]	[illegible]	[illegible]
Sth Aust Govt Fin 9 02 A$	150	[illegible]	[illegible]	[illegible]	[illegible]
Unilever Australia 12 98 A$	150	[illegible]	[illegible]	[illegible]	[illegible]
Western Aust Treas 7¾ 98 A$	100	[illegible]	[illegible]	[illegible]	[illegible]
Abbey Natl Treasury 8 03 £	1000	92¼	92½	-⅛	9.40
Alliance Leics 11¾ 97 £	100	105	105⅜	-⅛	9.75
British Land 8⅞ 23 £	150	89⅛	89⅜	-⅛	10.29
Denmark 6¾ 98 £	800	93¾	94	-⅛	8.87
EIB 8 03 £	1000	93¾	94	-⅛	9.09
Halifax 10⅜ 97 £	100	103¼	103½		8.56
Hanson 10⅜ 97 £	500	103	103⅜	-⅛	[illegible]
HSBC Holdings 11.69 02 £	153	109⅛	109⅜	-⅛	[illegible]
Italy 10½ 14 £	400	105⅛	105⅜	-⅛	[illegible]
Japan Dev Bk 7 00 £	200	91½	91¾	-⅛	[illegible]
Land Secs 9½ 07 £	200	98¾	99⅛	-⅛	[illegible]
Ontario 11⅛ 01 £	100	107¾	108	-⅛	[illegible]
Powergen 8⅞ 03 £	250	97	97¼	-⅛	[illegible]
Severn Trent 11½ 99 £	150	108	108⅜		[illegible]
Tokyo Elec Power 11 01 £	150	107⅞	108¼	-⅛	[illegible]
Abbey National 0 98 NZ$	100				[illegible]
TCNZ Fin 9¼ 02 NZ$	75				[illegible]
Credit Local 6 01 FFr	7000	89¾	90		[illegible]
Elec de France 8¾ 22 FFr	3000	101⅞	102¼		[illegible]
SNCF 9¼ 97 FFr	4000	103⅝	104		[illegible]

FLOATING RATE NOTES

	Issued	Bid	Offer	C.cpn
Abbey Natl Treasury -1/16 99	1000	99.50	99.58	[illegible]
Belgium 1/16 97 DM	500	100.08	100.19	[illegible]
BFCE -0.02 98	350	99.81	99.92	[illegible]
Britannia 0.10 98 £	150	99.96	100.05	[illegible]
Canada -⅛ 99	2000	99.24	99.31	[illegible]
CCCE 0 06 Ecu	200	99.20	99.41	[illegible]
Credit Lyonnais 1/8 00	300	97.44	97.96	[illegible]
Denmark -⅛ 96	1000	99.65	99.74	[illegible]
Dresdner Finance ½ 98 DM	1000	99.99	100.05	[illegible]
Ferro del Stat 0.10 97	420	99.94	100.10	[illegible]
Finland 0 97	1000	100.01	100.08	[illegible]
[illegible] Bank Intl ¼ 99	500	99.96	100.06	[illegible]
Italy ¼ 98	2000	100.08	100.14	[illegible]
LKB Baden-Wuert Fin -⅛ 98	1000	99.40	99.49	[illegible]
Lloyds Bank Perp S 0.10	600	83.25	84.25	[illegible]
Malaysia 1/16 05	650	99.26	99.47	[illegible]
New Zealand -⅛ 99	1000	99.76	99.83	[illegible]
[illegible] USD 500mil 1/16 99	500	99.63	99.73	[illegible]
Ontario 0 99	2000	99.50	99.61	[illegible]
Renfe 0 98	500	99.38	99.54	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CONVERTIBLE BONDS

	Issued	Conv. price	Bid	Offer	Prem.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or -	1994/95 High	1994/95 Low
Shorts (Lives up to Five Years)						
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Five to Fifteen Years						
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Over Fifteen Years						
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Undated						
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Index-Linked						
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in February 1987. Conversion factor 3.945. RPI for June 1994: 144.7 and for January 1995: 146.

Other Fixed Interest

Notes	Yield Int	Yield Red	Price £	+ or -	1994/95 High	1994/95 Low
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

● "Tap" stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock.

مكبرا من الاصل

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...an terms linked ... aluminium price

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CURRENCIES AND MONEY

MARKETS REPORT

D-Mark stays dominant in calm currency markets

The trends of last week were maintained on the foreign exchanges yesterday, with the D-Mark continuing to gain ground against most currencies, *writes Philip Gawith.*

Trade, however, was fairly light, with US markets closed for the President's Day holiday, and traders adopting a cautious stance until they re-open today.

The dollar fell quite sharply during Asian trading, and this had a dampening effect on European activity. It closed in London at DM1.4729, from DM1.4887

In Europe the most conspicuous victim was the French franc, which fell to its lowest point since October 1993. It touched FFr3.4814, against the D-Mark, before finishing at FFr3.48, from FFr3.479.

Sterling weakness continues, with the pound opening a pfennig weaker in London at DM2.3357, from Friday's close of DM2.3466. Thereafter it traded steadily, with the trade weighted index unchanged at 86.9 throughout the day.

■ The Bank of Japan intervened to support the dollar when it fell below Y97 during Asian trading. The BOJ was *seen buying dollars around* Y96.80. The dollar fell to a low of Y96.05 last November before the US Federal Reserve intervened to support it.

Mr Adrian Schmidt, international economist at Chase Manhattan in London, commented: "They don't want to see dollar at fresh lows because that will tend to re-ignite the downtrend."

The Japanese government seems relaxed about the strong yen. Mr Jiro Saito, vice-minister at the Ministry of Finance, commented somewhat cryptically: "We are watching the yen's rise with great interest. But the rise has not been occurring for a long period of time, so we would like to take some more time to watch the situation."

He said the yen's recent rise had been triggered by the stronger D-Mark.

Mr Adrian Cunningham, senior currency economist at UBS in London, said: "European markets don't appear keen to take the dollar much lower until they have a clearer idea of what is happening in Mexico."

Traders will also be keeping a keen eye on the Humphrey-Hawkins testimony tomorrow of Mr Alan Greenspan, chairman of the Fed. They will be seeking some sort of reassurance that the Fed has not been distracted by events in Mexico from shaping monetary policy to suit domestic circumstances.

Some recent dollar weakness has been ascribed to fears that the Fed is more concerned about the level of the peso than the dollar.

There is little expectation of the dollar recovering in the short term. Mr Tim Fox, economist at Credit Suisse in London, said: "The common denominator within all the latest currency turmoil is the aversion to risk, be it political, fiscal or economic. There are few signs of these perceptions of risk being laid to rest this week."

Although the dollar is below the levels which attracted intervention last November, expectations of further central bank support are muted.

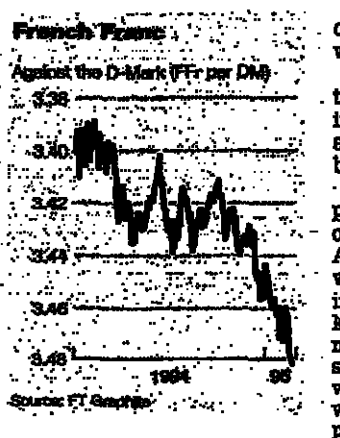
One reason for this is the pace of decline, which has been orderly, rather than panicked. A second factor is that dollar weakness has not spilled over into the bond and equity markets. The positioning of the market is also not considered suitable for intervention, which normally succeeds best when the market is "short" - probably not the case now.

A final factor is that the dollar, on a trade-weighted basis, is still around three per cent above where it was in October. While this reflects the weakness of the Mexican peso and Canadian dollar, more than any inherent dollar strength, it may serve as a reason for the Fed to keep its powder dry.

If central banks fail to ride to the dollar's rescue, and sentiment remains negative, as it is, then there is no joy to be had for dollar bulls from a technical perspective either.

Mr Brian Marber, technical analyst, said that if the dollar closed beneath DM1.4790 (which it did), one per cent below the October (closing) low of DM1.4940, "it will reconfirm that its major trend is still down, leaving it on course for September 1992's DM1.3905 and, provided that level also gives way, a no time limit DM1.3232."

■ The Bank of England provided UK money markets with £114m assistance at established rates, and £150m late assistance, after forecasting a £350m daily shortage.



■ **Pound in New York**

Feb 17	— Close —	— Prev. close —
£ spot	1.5805	1.5783
1 mth	1.5799	1.5777
3 mth	1.5788	1.5765
1 yr	1.5695	1.5676

■ **OTHER CURRENCIES**

Feb 20	£	$
Hungary	180.207 - 180.445	113.810 - 113.910
Iran	2758.00 - 2762.00	1748.00 - 1750.00
Kuwait	0.4717 - 0.4724	0.2979 - 0.2982
Poland	3.8081 - 3.8258	2.4050 - 2.4150
Russia	6894.30 - 6899.00	4353.00 - 4356.00
U.A.E.	5.8152 - 5.8186	3.6726 - 3.6731

POUND SPOT FORWARD AGAINST THE POUND

Feb 20		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	16.4180	-0.0628	104 - 256	16.5419	16.4104	16.4055	0.9	16.3718	1.1	-	-	108.3
Belgium	(BFr)	48.0431	-0.2313	245 - 616	48.3100	48.0360	48.2244	1.2	47.8781	1.4	47.3381	1.5	108.2
Denmark	(DKr)	9.2151	-0.0359	106 - 195	9.2580	9.2141	9.2463	0.6	9.1988	0.7	9.1389	0.8	107.5
Finland	(FM)	7.2319	-0.0542	263 - 374	7.3080	7.2260	-	-	-	-	-	-	85.0
France	(FFr)	8.1201	-0.0417	173 - 229	8.1582	8.1180	8.1551	1.0	8.1027	0.9	8.0391	1.0	108.0
Germany	(DM)	2.3327	-0.0136	316 - 337	2.3421	2.3309	2.3436	1.4	2.3229	1.7	2.2674	1.9	110.7
Greece	(Dr)	367.272	-1.209	111 - 432	369.655	364.906	-	-	-	-	-	-	69.2
Ireland	(I£)	1.0046	-0.0025	039 - 053	1.0112	1.0033	1.0066	0.7	1.0033	0.5	1.0017	0.3	96.9
Italy	(L)	2526.00	-6.88	671 - 928	2542.60	2526.23	2536.73	-1.8	2542.35	-2.3	2591.05	-2.5	72.4
Luxembourg	(LFr)	48.0431	-0.2313	245 - 616	48.3100	48.0360	48.2244	1.2	47.8781	1.4	47.3381	1.5	108.2
Netherlands	(Fl)	2.6161	-0.0146	151 - 171	2.6279	2.6145	2.6275	1.4	2.6058	1.6	2.5689	1.9	108.2
Norway	(NKr)	10.2596	-0.0565	557 - 634	10.3136	10.2575	10.3148	0.2	10.2585	0.1	10.2442	0.2	98.9
Portugal	(Es)	241.807	-1.173	674 - 940	243.211	241.651	243.58	-3.0	244.057	-3.7	-	-	96.1
Spain	(Pta)	203.726	-0.546	641 - 810	204.159	203.463	204.582	-1.8	204.756	-2.0	208.256	-2.2	79.2
Sweden	(SKr)	11.5503	-0.0274	408 - 597	11.5830	11.5177	11.583	-0.5	11.5918	-1.4	11.6773	-1.1	80.6
Switzerland	(SFr)	1.9729	-0.0111	716 - 741	1.9801	1.9729	1.9795	2.7	1.9592	2.8	1.9117	3.1	109.3
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	86.9
Ecu	-	1.2437	-0.0032	429 - 444	1.2474	1.2425	1.2463	0.8	1.2418	0.8	1.2343	0.8	-
SDR†	-	0.942395	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5840	+0.0075	836 - 844	1.5873	1.5806	-	-	-	-	-	-	-
Brazil	(Cr)	1.3312	-0.0006	265 - 338	1.3342	1.3297	-	-	-	-	-	-	-
Canada	(C$)	2.2258	+0.0063	247 - 269	2.2284	2.2193	2.2292	-1.8	2.2363	-1.9	2.2479	-1.0	81.4
Mexico	(New Peso)	8.9482	-0.2798	145 - 818	9.0748	8.9660	-	-	-	-	-	-	-
USA	($)	1.5838	+0.0077	834 - 841	1.5865	1.5797	1.5832	0.5	1.5819	0.5	1.5728	0.7	94.0
Pacific/Middle East/Africa													
Australia	(A$)	2.1482	+0.0107	470 - 494	2.1495	2.1474	2.15	-1.0	2.1566	-1.6	2.1796	-1.5	84.3
Hong Kong	(HK$)	12.2431	+0.0594	398 - 464	12.2836	12.2133	12.2421	0.1	12.2686	-0.8	12.1684	0.6	-
India	(Rs)	49.6823	+0.2455	673 - 972	49.7690	49.5550	-	-	-	-	-	-	-
Israel	(Shk)	4.7730	+0.0415	676 - 783	4.7783	4.6695	-	-	-	-	-	-	-
Japan	(Y)	153.505	-0.16	432 - 579	154.010	153.230	152.975	4.1	151.84	4.3	145.845	5.0	150.1
Malaysia	(M$)	4.0467	+0.0216	450 - 483	4.0488	4.0336	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.5110	+0.0099	094 - 125	2.5126	2.5094	2.515	-1.9	2.524	-2.1	2.5532	-1.7	98.9
Philippines	(Peso)	39.8313	+0.2251	433 - 193	39.9064	39.8212	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.9397	+0.0289	381 - 412	5.9497	5.9248	-	-	-	-	-	-	-
Singapore	(S$)	2.3002	+0.0096	991 - 012	2.3012	2.2943	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.6014	+0.0202	989 - 038	5.6122	5.5912	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	6.0769	-0.054	597 - 940	6.1799	6.0527	-	-	-	-	-	-	-
South Korea	(Won)	1254.73	+2.01	437 - 508	1257.59	1252.55	-	-	-	-	-	-	-
Taiwan	(T$)	41.7576	+0.2137	432 - 719	41.8241	41.6393	-	-	-	-	-	-	-
Thailand	(Bt)	39.5304	+0.1685	137 - 471	39.5830	39.4340	-	-	-	-	-	-	-

†SDR rates for Feb 17. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Feb 20		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan Index
Europe													
Austria	(Sch)	10.3665	-0.0905	640 - 690	10.4110	10.3630	10.356	1.2	10.334	1.3	10.2155	1.5	105.9
Belgium	(BFr)	30.3350	-0.295	300 - 400	30.5100	30.3300	30.3125	0.9	30.265	0.9	30.1	0.8	107.7
Denmark	(DKr)	5.8185	-0.0513	170 - 200	5.8517	5.8162	5.8167	0.4	5.8135	0.3	5.8055	0.2	106.3
Finland	(FM)	4.5663	-0.0567	638 - 688	4.6071	4.5638	4.5638	0.7	4.5593	0.6	4.5488	0.4	83.7
France	(FFr)	5.1272	-0.0514	265 - 278	5.1510	5.1250	5.125	0.5	5.1222	0.4	5.1117	0.3	107.3
Germany	(DM)	1.4729	-0.0158	725 - 732	1.4805	1.4712	1.4717	1.0	1.4687	1.2	1.4544	1.3	109.6
Greece	(Dr)	231.900	-1.9	850 - 950	232.990	230.210	234.3	-12.4	238.65	-11.6	256.9	-10.8	69.4
Ireland	(I£)	1.5766	+0.0117	758 - 773	1.5782	1.5690	1.5772	-0.4	1.576	0.2	1.5734	0.2	-
Italy	(L)	1596.21	-12.17	575 - 667	1602.00	1595.40	1599.26	-2.3	1607.21	-2.8	1647.71	-3.2	71.8
Luxembourg	(LFr)	30.3350	-0.295	300 - 400	30.5100	30.3300	30.3125	0.9	30.265	0.9	30.1	0.8	107.7
Netherlands	(Fl)	1.6519	-0.0173	516 - 521	1.6596	1.6505	1.6505	1.0	1.6473	1.1	1.6321	1.2	107.4
Norway	(NKr)	6.4780	-0.0675	770 - 790	6.5121	6.4688	6.4722	1.1	6.4665	0.7	6.4355	0.7	97.6
Portugal	(Es)	152.680	-1.49	630 - 730	153.050	152.630	153.075	-3.1	154.005	-3.5	158.255	-3.7	96.0
Spain	(Pta)	128.635	-0.975	610 - 660	129.130	128.400	128.86	-2.3	129.44	-2.5	132.435	-3.0	78.8
Sweden	(SKr)	7.2930	-0.053	886 - 973	7.3237	7.2767	7.3033	-1.7	7.325	-1.8	7.4165	-1.7	80.1
Switzerland	(SFr)	1.2457	-0.0132	452 - 462	1.2519	1.2440	1.2433	2.3	1.2385	2.3	1.2154	2.4	108.6
UK	(£)	1.5838	+0.0077	834 - 841	1.5865	1.5797	1.5832	0.5	1.5819	0.5	1.5728	0.7	86.6
Ecu	-	1.2735	+0.0095	730 - 740	1.2750	1.2680	1.2737	-0.2	1.2739	-0.1	1.2743	-0.1	-
SDR†	-	1.46710	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.0002	-0.0001	001 - 002	1.0001	1.0002	-	-	-	-	-	-	-
Brazil	(Cr)	0.8405	-0.0045	390 - 420	0.8410	0.8390	-	-	-	-	-	-	-
Canada	(C$)	1.4054	-0.0029	050 - 058	1.4060	1.4036	1.4081	-2.3	1.4138	-2.4	1.4294	-1.7	80.4
Mexico	(New Peso)	5.6500	-0.205	300 - 700	5.6700	5.6100	5.6508	-0.2	5.6513	-0.1	5.6526	0.0	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	95.7
Pacific/Middle East/Africa													
Australia	(A$)	1.3563	+0.0002	559 - 569	1.3594	1.3549	1.3581	-1.6	1.3627	-1.9	1.3875	-2.3	85.6
Hong Kong	(HK$)	7.7305	-	301 - 308	7.7308	7.7301	7.7317	-0.2	7.7327	-0.1	7.7375	-0.1	-
India	(Rs)	31.3700	+0.0025	675 - 725	31.3725	31.3625	31.45	-3.1	31.695	-4.1	-	-	-
Israel	(Shk)	3.0137	+0.0116	110 - 164	3.0164	2.9464	-	-	-	-	-	-	-
Japan	(Y)	96.9250	-0.575	000 - 500	97.3300	96.7500	96.625	3.7	95.985	3.9	92.72	4.3	150.9
Malaysia	(M$)	2.5551	+0.0011	546 - 556	2.5556	2.5525	2.5531	0.9	2.5486	1.0	2.5326	0.9	-
New Zealand	(NZ$)	1.5853	-0.0015	848 - 861	1.5888	1.5837	1.588	-2.0	1.5956	-2.6	1.6223	-2.3	-
Philippines	(Peso)	25.1500	+0.02	000 - 000	25.2000	25.1000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7504	-	502 - 505	3.7505	3.7502	3.753	-0.8	3.7563	-0.6	3.7679	-0.5	-
Singapore	(S$)	1.4524	-0.0009	520 - 527	1.4530	1.4505	1.4474	4.1	1.4421	2.8	1.4186	2.3	-
S Africa (Com.)	(R)	3.5368	-0.0045	360 - 375	3.5443	3.5330	3.5503	-4.6	3.585	-5.5	3.7543	-6.1	-
S Africa (Fin.)	(R)	3.8370	-0.053	270 - 470	3.9000	3.8250	3.8645	-8.6	3.9145	-8.1	4.147	-8.1	-
South Korea	(Won)	792.250	-2.6	200 - 300	794.500	792.000	795.25	-4.5	798.75	-3.8	817.25	-3.2	-
Taiwan	(T$)	26.3683	+0.0068	630 - 695	26.3695	26.3580	26.3863	-0.9	26.4263	-0.9	-	-	-
Thailand	(Bt)	24.9600	-0.015	550 - 650	24.9700	24.9550	24.9725	-0.6	24.9865	-0.4	25.0125	-0.2	-

†SDR rate for Feb 17. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Feb 17. Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

February 20	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	4⅞	5⅛	5⅞	5¾	6⅛	7.40	4.50	-
week ago	4⅞	5⅛	5¾	5¾	6¼	7.40	4.50	-
France	5⅛	5⅜	5⅞	6⅛	6⅝	5.00	-	6.40
week ago	4⅞	5⅜	5¾	6⅛	6⅝	5.00	-	6.40
Germany	4.88	4.95	5.05	5.20	5.65	6.00	4.50	4.85
week ago	4.93	4.95	5.05	5.20	5.65	6.00	4.50	4.85
Ireland	5⅛	5¾	6¼	6¾	7¼	-	-	6.25
week ago	5⅛	5¾	6¼	6¾	7¼	-	-	6.25
Italy	8⅛	8⅛	8⅞	9¾	10⅛	-	7.50	8.35
week ago	8⅛	8⅛	8⅞	9¾	10⅛	-	7.50	8.20
Netherlands	4.84	5.00	5.09	5.26	5.72	-	5.25	-
week ago	4.84	5.00	5.09	5.28	5.74	-	5.25	-
Switzerland	3⅞	3¾	3⅞	4⅛	4½	6.625	3.50	-
week ago	3⅝	3¾	3¾	4⅛	4½	6.625	3.50	-
US	6⅝	6⅛	6⅛	6¾	6⅞	-	5.25	-
week ago	6	6⅛	6⅛	6⅜	7⅛	-	5.25	-
Japan	2¼	2⅛	2¼	2¾	2⅞	-	1.75	-
week ago	2¼	2⅛	2¼	2¾	2⅞	-	1.75	-
■ $ LIBOR FT London								
Interbank Fixing	-	6⅛	6¼	6½	7	-	-	-
week ago	-	6⅛	6⅜	6¾	7⅛	-	-	-
US Dollar CDs	-	5.92	6.04	6.28	6.80	-	-	-
week ago	-	5.92	6.10	6.40	7.04	-	-	-
SDR Linked Ds	-	4.25	4.438	4.688	5.188	-	-	-
week ago	-	4.25	4.812	5.125	5.687	-	-	-

ECU Linked Ds mid rates: 1 mth: 5⅞; 3 mths: 6⅛; 6 mths: 6⅜; 1 year: 6⅞. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Feb 20	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	5 7/16 - 5 5/16	5 7/16 - 5 5/16	5 7/16 - 5 5/16	5 7/16 - 5 5/16	5¾ - 5⅝	6 5/16 - 6 3/16
Danish Krone	5¼ - 5	5¾ - 5½	5⅞ - 5⅝	6¼ - 6	6¾ - 6⅝	7 7/16 - 7 5/16
D-Mark	4⅞ - 4¾	4 15/16 - 4 13/16	5 - 4⅞	5 1/16 - 4 15/16	5¼ - 5⅛	5 11/16 - 5 9/16
Dutch Guilder	5 - 4⅞	5 - 4⅞	5 - 4 13/16	5⅛ - 5 1/16	5⅜ - 5 3/16	5¾ - 5 11/16
French Franc	5⅜ - 5¼	5 7/16 - 5 5/16	5 9/16 - 5 7/16	5 15/16 - 5 13/16	6 3/16 - 6 1/16	6 11/16 - 6 9/16
Portuguese Esc.	8¾ - 8⅝	9 - 8 13/16	9¼ - 8¾	10¼ - 9¾	10¾ - 10 5/16	11 - 10 13/16
Spanish Peseta	8⅛ - 8	8⅛ - 8	8¼ - 8⅛	8¾ - 8½	9⅛ - 9	10 - 9⅞
Sterling	6⅞ - 6¼	6⅝ - 6½	6⅝ - 6 9/16	6 15/16 - 6 13/16	7 3/16 - 7⅛	7⅞ - 7¾
Swiss Franc	3½ - 3⅜	3½ - 3⅜	3⅝ - 3½	3⅞ - 3¾	4⅛ - 4	4½ - 4⅜
Can. Dollar	8⅛ - 7⅞	8¼ - 8	8¼ - 8⅛	8⅜ - 8¼	8 7/16 - 8 5/16	8 9/16 - 8 7/16
US Dollar	6 1/16 - 5 15/16	6 1/16 - 5 15/16	6⅛ - 6	6¼ - 6⅛	6½ - 6⅜	7 - 6⅞
Italian Lira	9 - 7½	8⅝ - 8⅜	8 7/16 - 8 5/16	8⅞ - 8¾	9⅜ - 9¼	10⅛ - 10
Yen	2 5/16 - 2 3/16	2 5/16 - 2 3/16	2 5/16 - 2 3/16	2 5/16 - 2 3/16	2⅜ - 2¼	2 7/16 - 2⅜
Asian $Sing	2⅛ - 2	1⅞ - 1¾	2¼ - 2⅛	2¾ - 2⅝	3⅜ - 3¼	4 1/16 - 3 15/16

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ **THREE MONTH PIBOR FUTURES** (MATIF) Paris Interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.97	93.98	-	93.98	93.96	5,167	45,926
Jun	93.48	93.49	+0.01	93.49	93.44	7,155	47,009
Sep	93.14	93.17	+0.01	93.17	93.14	1,988	37,900
Dec	92.88	92.91	+0.01	92.91	92.88	1,475	19,484

■ **THREE MONTH EURODOLLAR** (LIFFE)* $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.66	93.67	+0.01	93.67	93.66	38	1537
Jun	93.16	93.17	-	93.17	93.16	84	523
Sep	92.82	92.83	-0.02	92.84	92.82	37	177
Dec	92.51	92.52	-0.02	92.52	92.51	25	250

■ **THREE MONTH EUROMARK FUTURES** (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	94.86	94.87	+0.01	94.87	94.85	5455	168360
Jun	94.52	94.52	-	94.53	94.50	7815	193239
Sep	94.12	94.12	-	94.12	94.09	5523	115619
Dec	93.71	93.72	-	93.73	93.70	4234	86901

■ **THREE MONTH EUROLIRA INT.RATE FUTURES** (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	90.77	90.84	-	90.87	90.77	2963	33742
Jun	90.06	90.04	-0.03	90.08	89.98	2584	31892
Sep	89.56	89.59	-0.05	89.63	89.56	380	27772
Dec	-	89.31	-0.05	-	-	0	14806

■ **THREE MONTH EURO SWISS FRANC FUTURES** (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	95.98	96.01	+0.03	96.02	95.97	882	18920
Jun	95.64	95.69	+0.05	95.70	95.64	954	17071
Sep	95.37	95.39	+0.03	95.37	95.37	10	6965
Dec	95.09	95.12	+0.04	95.09	95.09	1	6252

■ **THREE MONTH ECU FUTURES** (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.76	93.80	+0.02	93.81	93.76	827	10164
Jun	93.24	93.30	+0.02	93.30	93.24	1135	7149
Sep	92.83	92.83	+0.02	92.83	92.82	191	3802
Dec	92.40	92.39	+0.01	92.40	92.38	56	1988

* LIFFE futures also traded on APT

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Feb 20		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.18	16.90	4.856	2.092	5262	5.445	21.38	503.3	424.0	24.04	4.107	2.082	4.634	3.295	319.5	2.590
Denmark	(DKr)	52.13	10	8.812	2.532	1.091	2743	2.839	11.13	262.4	221.1	12.53	2.141	1.085	2.416	1.718	166.6	1.350
France	(FFr)	59.16	11.35	10	2.873	1.238	3113	3.222	12.64	297.8	250.9	14.22	2.430	1.232	2.741	1.950	189.0	1.532
Germany	(DM)	20.59	3.950	3.480	1	0.431	1084	1.121	4.398	103.6	87.31	4.951	0.846	0.429	0.954	0.679	65.80	0.533
Ireland	(I£)	47.80	9.169	8.080	2.321	1	2515	2.603	10.21	240.6	202.7	11.49	1.963	0.995	2.215	1.575	152.7	1.238
Italy	(L)	1.900	0.365	0.321	0.092	0.040	100.	0.103	0.406	9.565	8.058	0.457	0.078	0.040	0.088	0.063	6.072	0.049
Netherlands	(Fl)	18.36	3.523	3.104	0.892	0.384	966.4	1	3.922	92.43	77.87	4.415	0.754	0.382	0.851	0.605	58.68	0.476
Norway	(NKr)	46.82	8.981	7.914	2.274	0.980	2464	2.550	10	235.7	198.5	11.26	1.923	0.975	2.170	1.543	149.6	1.212
Portugal	(Es)	19.87	3.811	3.358	0.965	0.416	1045	1.082	4.243	100.	84.24	4.777	0.816	0.414	0.921	0.655	63.48	0.514
Spain	(Pta)	23.58	4.524	3.986	1.145	0.493	1241	1.284	5.037	118.7	100.	5.670	0.969	0.491	1.093	0.777	75.36	0.611
Sweden	(SKr)	41.59	7.978	7.030	2.020	0.870	2189	2.265	8.883	209.4	176.4	10	1.708	0.866	1.927	1.371	132.9	1.077
Switzerland	(SFr)	24.35	4.671	4.116	1.182	0.509	1281	1.326	5.200	122.6	103.2	5.854	1	0.507	1.128	0.802	77.80	0.631
UK	(£)	48.04	9.215	8.120	2.333	1.005	2528	2.616	10.26	241.8	203.7	11.55	1.973	1	2.226	1.583	153.5	1.244
Canada	(C$)	21.58	4.140	3.648	1.048	0.451	1136	1.175	4.609	108.6	91.51	5.189	0.886	0.449	1	0.711	68.96	0.559
US	($)	30.35	5.821	5.130	1.474	0.635	1597	1.653	6.481	152.7	128.7	7.296	1.246	0.632	1.406	1	96.97	0.786
Japan	(Y)	31.30	6.003	5.290	1.520	0.655	1647	1.704	6.684	157.5	132.7	7.524	1.285	0.651	1.450	1.031	100.	0.810
Ecu		38.62	7.406	6.527	1.875	0.808	2032	2.103	8.248	194.4	163.7	9.285	1.586	0.804	1.789	1.273	123.4	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM (Feb 17)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	0.6712	0.6741	+0.0023	0.6774	0.6709	48,613	90,207
Jun	0.6730	0.6763	+0.0023	0.6790	0.6730	1,895	5,239
Sep	0.6790	0.6786	+0.0024	0.6800	0.6776	66	726

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5 per Yen 100 (Feb 17)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	1.0263	1.0298	+0.0013	1.0330	1.0263	36,184	79,191
Jun	1.0373	1.0411	+0.0014	1.0442	1.0373	1,723	8,790
Sep	1.0537	1.0528	+0.0015	1.0565	1.0525	28	780

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr (Feb 17)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	0.7945	0.7976	+0.0025	0.8020	0.7942	31,264	42,020
Jun	0.8037	0.8026	+0.0027	0.8056	0.8003	1,289	2,221
Sep	0.8070	0.8075	+0.0028	0.8090	0.8050	12	190

■ **STERLING FUTURES** (IMM) £62,500 per £ (Feb 17)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	1.5778	1.5782	-	1.5888	1.5740	27,411	45,902
Jun	1.5820	1.5762	+0.0002	1.5820	1.5720	287	1,636
Sep	-	1.5732	-0.0006	1.5770	1.5710	6	6

UK INTEREST RATES

LONDON MONEY RATES

Feb 20	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	7 - 5	6⅝ - 6⅜	6 11/16 - 6 9/16	6 15/16 - 6 13/16	7 3/16 - 7 1/16	7⅞ - 7¾
Sterling CDs	-	-	6 9/16 - 6½	6¾ - 6 11/16	7⅛ - 7 1/16	7 13/16 - 7¾
Treasury Bills	-	-	6 7/16 - 6⅜	6½ - 6 7/16	-	-
Bank Bills	-	-	6 7/16 - 6⅜	6⅝ - 6½	6⅞ - 6¾	-
Local authority deps.	6 7/16 - 6 5/16	6 9/16 - 6 7/16	6⅝ - 6½	6¾ - 6⅝	7⅛ - 7	7 11/16 - 7 9/16
Discount Market deps	7 - 6½	6⅝ - 6½	-	-	-	-

UK clearing bank base lending rate 6¾ per cent from February 2, 1995

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	3	5¼	5¾	6	6¼

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1¼pc.
Ave. tender rate of discount 6.1553pc. ECGD fixed rate Stlg. Export Finance. Make up day Jan 31, 1995. Agreed rate for period Feb 26, 1995 to Mar 25, 1995, Schemes II & III 7.87pc. Reference rate for period Dec 31, 1994 to Jan 31, 1995, Schemes IV & V 6.824pc. Finance House Base Rate 7pc from Feb 1, 1995

■ **THREE MONTH STERLING FUTURES** (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.03	93.04	-0.01	93.05	93.03	5106	75227
Jun	92.29	92.26	-0.03	92.30	92.27	7960	97428
Sep	91.82	91.80	-0.06	91.83	91.80	3892	69087
Dec	91.49	91.47	-0.07	91.51	91.47	1202	51681

Also traded on APT. All Open interest figs. are for previous day.

■ **SHORT STERLING OPTIONS** (LIFFE) £500,000 points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9300	0.10	0.02	0.04	0.06	0.74	1.24
9325	0.01	0	0.02	0.22	0.97	1.47
9350	0	0	0.01	0.46	1.22	1.71

Est. vol. total, Calls 3030 Puts 4405. Previous day's open int., Calls 209777 Puts 184298

EMS EUROPEAN CURRENCY UNIT RATES

Feb 20	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.19672	2.11489	-0.00051	-3.73	10.89	
Belgium	40.2123	38.8556	+0.003	-3.37	10.49	24
Germany	1.94964	1.88695	-0.00051	-3.25	10.35	
Austria	13.7167	13.2774	-0.0037	-3.27	10.29	
Denmark	7.43679	7.45013	-0.00644	0.18	6.57	-2
Ireland	0.808628	0.810805	-0.000275	0.27	6.48	-2
France	6.53883	6.56322	-0.00299	0.37	6.37	-3
Portugal	192.854	195.515	+0.092	1.38	5.31	-10
Spain	154.250	164.682	+0.145	6.76	0.00	-47
NON ERM MEMBERS						
Greece	264.513	297.046	+0.219	12.30	-4.93	-
Italy	1793.19	2043.37	-1.06	13.95	-6.31	-
UK	0.786749	0.807528	+0.001642	2.64	4.02	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound) (Feb 17)

Strike Price	CALLS Mar	CALLS Apr	CALLS May	PUTS Mar	PUTS Apr	PUTS May
1.500	7.73	7.78	7.92	-	0.13	0.38
1.525	5.35	5.63	5.83	0.02	0.41	0.81
1.550	3.10	3.71	4.08	0.26	0.97	1.50
1.575	1.40	2.24	2.64	1.00	1.91	2.53
1.600	0.44	1.20	1.65	2.53	3.30	3.91
1.625	0.08	0.57	0.94	4.61	5.14	5.66

Previous day's vol., Calls 7,456 Puts 10,708 . Prev. day's open int., Calls 255,091 Puts 315,544

■ **THREE MONTH EURODOLLAR** (IMM) $1m points of 100% (Feb 17)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.67	93.67	-	93.68	93.63	72,760	393,758
Jun	93.22	93.19	-0.02	93.22	93.14	221,692	420,266
Sep	92.86	92.86	-0.03	92.88	92.80	213,343	276,076

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100% (Feb 17)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	94.25	94.26	-	94.26	94.23	1,499	7,316
Jun	93.77	93.78	-0.02	93.78	93.74	5,527	11,655
Sep	93.44	93.45	-0.04	93.45	93.41	2,663	6,565

All Open interest figs. are for previous day

■ **EUROMARK OPTIONS** (LIFFE) DM1m points of 100%

Strike Price	CALLS Mar	CALLS Apr	CALLS May	CALLS Jun	PUTS Mar	PUTS Apr	PUTS May	PUTS Jun
9475	0.15	0.04	0.07	0.08	0.03	0.27	0.30	0.31
9500	0.01	0.01	0.02	0.03	0.14	0.49	0.50	0.51
9525	0	0	0.01	0.01	0.38	0.73	0.74	0.74

Est. vol. total, Calls 3781 Puts 14914. Previous day's open int., Calls 178265 Puts 240280

■ **EURO SWISS FRANC OPTIONS** (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9600	0.06	0.06	0.06	0.05	0.37	0.67
9625	0	0.02	0.03	0.24	0.58	0.88
9650	0	0		0.49	0.81	

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 1793 Puts 2010

BASE LENDING RATES

	%		%		%
Adam & Company	6.75	Duncan Lawrie	6.75	* Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	9
Allied Trust Bank	6.75	Exeter Bank Limited	7.75	Royal Bk of Scotland	6.75
AIB Bank	6.75	Financial & Gen Bank	7.00	Singer & Friedlander	6.75
●Henry Ansbacher	6.75	●Robert Fleming & Co	6.75	●Smith & Williamson Secs.	6.75
Bank of Baroda	6.75	Girobank	6.75	TSB	6.75
Banco Bilbao Vizcaya	6.75	●Guinness Mahon	6.75	●United Bk of Kuwait	6.75
Bank of Cyprus	6.75	Habib Bank AG Zurich	6.75	Unity Trust Bank Plc	6.75
Bank of Ireland	6.75	●Hambros Bank	6.75	Western Trust	6.75
Bank of India	6.75	Heritable & Gen Inv Bk.	6.75	Whiteaway Laidlaw	6.75
Bank of Scotland	6.75	●Hill Samuel	6.75	Yorkshire Bank	6.75
Barclays Bank	6.75	C. Hoare & Co	6.75		
Brit Bk of Mid East	6.75	Hongkong & Shanghai.	6.75	● Members of London Investment Banking Association	
●Brown Shipley & Co Ltd	6.75	Julian Hodge Bank	6.75	* In administration	
Citibank NA	6.75	●Leopold Joseph & Sons	6.75		
Clydesdale Bank	6.75	Lloyds Bank	6.75		
The Co-operative Bank	6.75	Meghraj Bank Ltd	6.75		
Coutts & Co	6.75	Midland Bank	6.75		
Credit Lyonnais	6.75	* Mount Banking	6.75		
Cyprus Popular Bank	6.75	NatWestminster	6.75		
		●Rea Brothers	6.75		

LONDON SHARE SERVICE

BANKS, MERCHANT

Notes	Price	+ or -	1994/95 high	low	Mkt Cap£m	Yld Gr's	P/E
Barings 8pc Cm 2nd Prf	98	—	117	88¼	12.2	10.2	-
9¼pc Non-Cum Prf	118	+¼	137½	107	47.2	10.3	-
Cater Allen ......‡†N□	438	—	*539¼	436	142.8	8.1	9.0
Close Bros ......‡N□	284	—	*295½	203	222.8	4.0	10.8
Gerrard & Nat ..‡†N□	438	—	515	395	213.3	6.8	12.6
Hambros ......‡N□	228	-1	473	209	404.2	8.2	14.1
7½pc Cv Pf	101xd	-5½	191	99½	130.1	9.3	-
Joseph (L) ......‡†N	393	—	443	393	20.8	5.8	11.4
King & Shaxson ......‡N	97	—	170	96	18.3	11.8	9.6
Kleinwort Benson ‡†N□	634	+11	893	424	845.8	4.3	12.0
Rea Bros ......‡†N□	62	—	79	53	26.7	1.9	17.4
Schroders ......‡†N□	1525	—	1674	1050	1,525	1.5	14.0
N/V ......†N	1365	—	1458	1043	395.9	1.7	12.5
Singer & Fried .‡†N□	85	—	114	75	165.1	4.6	10.9
Union ......‡†N□	87	—	*199	86	23.1	6.5	8.0
Warburg (SG) ...‡N□	711	-16	1012	569	1,564	3.9	13.0
Wintrust ......‡†N	228xd	-4¼	390	203	18.7	6.0	14.7

BANKS, RETAIL

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

BUILDING MATS. & MERCHANTS - Cont.

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

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LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL

INVESTMENT COMPANIES - Cont.

LEISURE & HOTELS

LIFE ASSURANCE

MEDIA

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

OIL EXPLORATION & PRODUCTION

OIL EXPLORATION & PRODUCTION - Cont.

OIL, INTEGRATED

OTHER FINANCIAL

OTHER SERVICES & BUSINESSES

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PROPERTY

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

SPIRITS, WINES & CIDERS

SUPPORT SERVICES

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

TRANSPORT - Cont.

WATER

AMERICANS

CANADIANS

SOUTH AFRICANS

GUIDE TO LONDON SHARE SERVICE

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Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

GUERNSEY (REGULATED)(**)

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

IRELAND (REGULATED)(**)

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

JERSEY (REGULATED)(**)

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

LUXEMBOURG (REGULATED)(**)

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OFFSHORE INSURANCES

OTHER OFFSHORE FUNDS

LONDON STOCK EXCHANGE

MARKET REPORT

Shares easier as market awaits New York lead

By Terry Byland, UK Stock Market Editor

The closure of financial markets in the US for Presidents' Day did little to lift the cloud over the dollar and left UK stocks to drift lower in thin but nervous trading yesterday. Business virtually died in the second half of the session and the Footsie index ended the day not far from its mid-morning reading.

On the domestic front, the death last weekend of a Conservative Member of Parliament increased market nervousness over the pressures on the government of Mr John Major. But weakness in sterling is still seen as largely a by-product of the fall in the US dollar and unlikely to change until the wider problems of the Mexican situation have been resolved.

Today's return to business in New York is expected to be overshadowed by prospects for the appearance tomorrow before the US Senate banking committee of Mr Alan Greenspan, chief of the US Federal Reserve Board, when he is likely to comment on the outlook for the dollar.

The FT-SE 100-share Index closed 25.6 down at 3,018.6, having been in negative territory throughout the day. At the day's low point, the Footsie dipped to 3,013, uncomfortably close to the 3,000 mark, which proved a barrier for the market between October last year and the beginning of this month.

The broader range of the market followed the dismal lead from the blue chips, taking the FT-SE Mid 250 Index down by 21.1 points to a closing 3,416.1.

However, market strategists warned of taking too negative a view. London shares lacked a lead yesterday, in part because of the holiday closure of New York, but also because speculative activity, a driving force in recent sessions, was reduced.

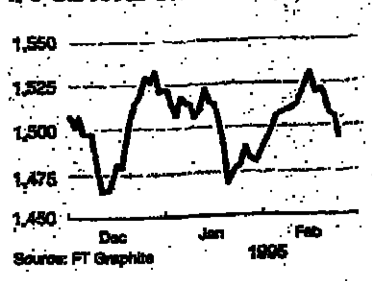
Glaxo's £9bn-plus bid for Wellcome continued to bubble in the background, but the stock market remained cautious on the chances of a counter-bid now that the UK High Court has cleared Wellcome Foundation's plan to commit its near 40 per cent stake to Glaxo.

S.G. Warburg, a favourite for a bid ever since the collapse of merger talks with Morgan Stanley, took a step back yesterday as the market accepted that the restructured board intends to rebuild the group rather than seek a buyer; some UK weekend newspapers drew attention to the problems still lurking for Warburg, however, and there were few buyers around.

Seaq-reported volume of 421.5m shares compared with Friday's 417.6m, but was swollen by a handful of large deals, most notably in BAT Industries. On Friday, retail, or customer, business was worth £1.13bn, which was at the lower end of recent daily averages.

There was little response to publication of the domestic M4 money supply numbers for last month, although the market remained troubled by the economic data announced last week. Investors fear that domestic inflation remains threatening, and that the fall in retail sales may indicate a more severe slowdown in the economy than the markets are prepared for. However, analysts are optimistic ahead of the round of corporate results which is about to open.

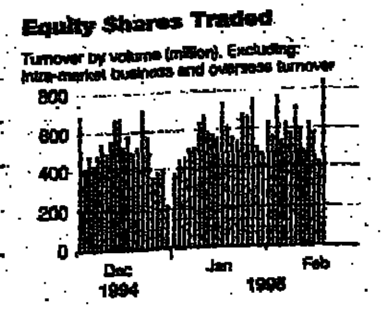
FT-SE-A All-Share Index



Source: FT Graphite

Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Indices and ratios

FT-SE 100	3018.6	-25.6
FT-SE Mid 250	3416.1	-21.1
FT-SE-A 350	1510.4	-12.1
FT-SE-A All-Share	1494.58	-11.22
FT-SE-A All-Share yield	4.14	(4.11)

FT Ordinary index	2297.6	-17.4
FT-SE-A Non Fins p/e	17.35	(17.33)
FT-SE 100 Fut Mar	3012.0	-32.0
10 yr Gilt yield	8.73	(8.70)
Long gilt/equity yld ratio:	2.12	(2.13)

Best performing sectors

1. Paper, Pckg & Printing .... +0.2
2. Textiles & Apparel .... +0.1
3. Oil Exploration .... -0.0
4. Building Matls .... -0.1
5. Other Ser & Bus .... -0.1

Worst performing sectors

1. Tobacco .... -2.4
2. Transport .... -1.6
3. Water .... -1.4
4. Insurance .... -1.3
5. Pharmaceuticals .... -1.3

Large deal hits BAT

BAT Industries, the tobacco and insurance conglomerate, fell sharply and experienced unusually heavy turnover of 18m shares after one securities house carried out a very large trade below the market price.

The retreat of 10 to 422p followed a change of recommendation by NatWest Securities which leaked into the market at the end of last week and was more widely published yesterday. NatWest's sell note argues that the shares are fairly valued at around 388p.

The weakness also reflected the market's reaction to news at the weekend that a New Orleans court has granted permission for a class action against the tobacco giants. If successful the damages could amount to more than £30bn.

Yesterday morning a block of 5.9m shares and another of 5.7m shares were recorded on the Seaq electronic ticker at 415p and 418p a share. They were said to have been traded by Cazenove, which never comments on market speculation.

Generators busy

Increasing confidence over the progress of the forthcoming flotation of the government's remaining 40 per cent holdings in National Power and PowerGen helped the two stocks occupy the first two places in the FT-SE 100 performance table.

PowerGen headed the list, closing 8 firmer at 503p, a rise of 1.6 per cent, just edging out National Power, which settled 7½ higher at 481½p. There was keen turnover in both stocks.

Dealers said the stocks had responded to news that a series of roadshows across the UK, the rest of Europe and the US have gone down well and that the companies' advisers are increasingly optimistic ahead of the formal book-building which commences on Thursday. Trading in the new shares is scheduled to start on March 6. Both National Power and PowerGen will buy in at least 6.5 per cent and up to 8 per cent of their own shares for cancellation during the offer.

Northern Electricity and Northern Ireland Electricity were the only stocks to make progress in the recs. The latter rose 2 to 358p in a catch-up exercise after underperforming the other recs in recent months. The former moved up 8 to 1120p and was the most heavily traded rec in the market with 1.5m shares dealt.

Dealers await the next move by Trafalgar House in its bid to win control of Northern Electric and expect Trafalgar to increase the value of its offer to between £11 and £12 a share by Friday.

The other recs were affected by the general market retreat but also by evidence of further sizeable selling of the stocks by institutions wanting to lock in profits after the sector's recent strong performance. Some specialists are expecting a sharp setback in the sector.

Yorkshire dropped 17 to 857p after Swiss Bank Corporation confirmed it had reduced its holding from 8 per cent to 6.42 per cent. Other perceived bid targets to lose ground included Seeboard, 17 off at 447p, and South Wales and Norweb, both 15 lower at 869p and 823p.

National Westminster edged up 3 to 493p in front of today's preliminary figures, which are expected to show a jump in pre-tax profits from £989m to above £1.5bn and a dividend increase of at least 15 per cent.

S.G. Warburg, on the other hand, endured a difficult session, the shares slipping back to 701p before stabilising and closing a net 15 lower at 711p. An agency cross at 140p saw Sharelink decline 12 to 143p.

Confirmation of the appointment of Mr Nigel Rudd as chairman boosted sentiment in Pilkington, the glass manufacturer, which gained 5 at 158p in good turnover of 2.1m. The warrants added 2¼ at 52p.

Food retailer Kwik Save eased 6 to 540p as S.G. Warburg turned negative on the stock, having become more cautious on the sector as a whole last week.

Warburg downgraded the rating on Kwik Save from hold to sell and also cut profits estimates. It reduced the current year forecast by £7m to £122m and trimmed £8m off the following year's estimate to arrive at a forecast of £130m.

The broker blamed a fall in like for like sales; pressure on margins; and increased promotional activity heightened by the introduction of Tesco's "loyalty" card. Shares in Tesco closed 2 down at 243p.

Unilever, the foods, detergents and personal products group which reports figures today, followed the market lower and eased 6 to 1173p.

The poor market was also blamed for the retreat in Pizza Express which closed a penny lower at 130p after it reported improved half year figures.

In stores, Kingfisher continued to slide on last week's negative comments on the stock from several brokers. Analysts at Paribas are among those that remain cautious. They have suggested a break-up value of the group of 408p a share. The shares closed 8 lower at 406p.

Among brewing stocks, Regent Inns raced forward 12 to 319p after the group reported a sharp increase in interim profits and announced a new chairman.

Baldwin, the tour operator and printing group, was another stock boosted by favourable figures. The shares jumped 17 to 135p.

Leading dollar earning issues were marked down reaction to the falls on the Dow on Friday, the lack of direction from the US yesterday because of the closure of Wall Street and the concern over the dollar. Glaxo dropped 8 to 633p and SmithKline Beecham fell 8 to 484p ahead of full-year figures on Thursday. Wellcome shed 14 to 1028p and Reuters 6 to 437p.

Leading textile group Coats Viyella improved 3 after announcing it was buying Bace Manufacturing, a US precision engineering group, for £65 million. The market liked the deal but some analysts suggested that it was expensive in the short term. The two-way view saw the shares close 1½ up at 178½p with 6.8m changing hands.

Low & Bonar, the packaging and materials group, saw its share price rise rise 27 to 408p after announcing that 1994 profits were up 40 per cent to £44.1m, above many analysts expectations.

Among transport shares, airports group BAA dipped 11 to 438 in 2.2m turnover, while Go-Ahead, the smallest of the independent bus groups, jumped 9 to 182p ahead of next Monday's interim results.

Talk of a link between GKN and T&N resurfaced, clipping the former and sparking a high level of activity in T&N. The rumour mill, which never really got out of second gear on a dull day for market volume, oscillated between the possibility of an outright takeover bid from GKN to a joint venture.

Analysts were mostly at a loss to explain the rumours. They pointed to the cartel problems facing T&N in its attempts to acquire German pistons leader Kolbenschmidt and said market talk had been spurred by the announcement that a heavyweight German industrialist had been appointed to the GKN board.

Burmah Castrol was one of only eight gainers in the FT-SE 100 list, the shares edging up 7 to 859p as investors continued to respond to the 75 per cent jump in after tax profits from Castrol India, its 51 per-cent owned Asian subsidiary.

Shares in Telegraph, the newspaper group rose 8 to 388p ahead of full-year figures on Thursday. They were also supported by hope that the newspaper price war may be drawing to a close.

MARKET REPORTERS: Steve Thompson, Peter John, Joel Kibazo, Jeffrey Brown.

FINANCIAL TIMES EQUITY INDICES

	Feb 20	Feb 17	Feb 16	Feb 15	Feb 14	Yr ago	*High	*Low
Ordinary Share	2297.6	2315.0	2322.6	2334.1	2334.7	2585.8	2713.6	2236.3
Ord. div. yield	4.61	4.55	4.55	4.53	4.50	3.56	4.66	3.43
Earn. yld. % full	6.98	6.92	6.79	6.78	6.66	3.88	6.98	3.82
P/E ratio net	16.95	17.10	17.40	17.48	17.82	32.81	33.43	16.91
P/E ratio nil	16.16	16.29	16.57	16.65	16.94	30.25	30.80	16.16

*For 1994/5. Ordinary Share Index since compilation: high 2713.6 2/02/94; low 49.4 26/6/40. FT Ordinary Share Index base date 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2309.6	2306.7	2305.3	2298.7	2298.4	2298.9	2296.8	2296.5	2295.7	2309.7	2293.6

	Feb 20	Feb 17	Feb 16	Feb 15	Feb 14	Yr ago
SEAQ bargains	19,756	20,520	22,122	22,564	23,517	32,894
Equity turnover (£m)†	-	1128.5	1484.0	1568.6	1399.8	983.6
Equity bargains†	-	27,800	30,990	31,687	30,652	35,332
Shares traded (ml)†	-	862.0	647.9	579.6	624.8	415.6

†Excluding intra-market business and overseas turnover.

■ **London market data**

Rises and falls*		1994/95 Highs and lows		LIFFE Equity options	
Total Rises	306	Total Highs	14	Total contracts	19,427
Total Falls	881	Total Lows	152	Calls	9,400
Same	1,650			Puts	10,027

Feb. 20 *Data based on Equity shares listed on the London Share Service.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1994/95 High	Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
§10	F.P.	17.1	13¼	13	Bath Press	13	-	-	-	-	-
-	F.P.	26.1	55	49¾	Lazard Birla India	50¼	-¼	-	-	-	-
-	F.P.	3.05	32½	29	Do Warrants	29¼	-¼	-	-	-	-
35	F.P.	22.1	36	34	MCIT S Cap	34		-	-	-	-
35	P.P.	23.4	36	36	MCIT S Inc	36		-	-	-	-
100	F.P.	40.0	94	80	Matheson Lloyds	80	-1	-	-	-	-
-	F.P.	16.0	130	80	Pentex Oil	80	-5	-	-	-	-
150	F.P.	16.3	160	150	Photobition	158	+2	RN6.0	2.0	4.7	11.5
-	F.P.	4.50	11¼	10½	Wessex Trust	11¼		-	-	-	-
-	F.P.	282.1	128	118	Woodchester Units	125		-	-	-	-

FUTURES AND OPTIONS

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	3023.0	3012.0	-32.0	3030.0	3008.0	6621	55869
Jun	3022.0	3020.0	-32.5	3026.0	3022.0	243	13095
Sep	-	3044.0	-33.0	-	-	0	140

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	3430.0	3415.0	-24.0	3430.0	3430.0	100	3563
Jun	3451.0	3436.0	-24.0	3451.0	3451.0	100	550

■ FT-SE 100 INDEX OPTION (LIFFE) (*3017) £10 per full index point

	2850		2900		2950		3000		3050		3100		3150		3200	
	C	P	C	P	C	P	C	P	C	P	C	P	C	P	C	P
Mar	171½	7½	126½	13	85½	24	52	41½	28	68	13	104	5	148½	2	198
Apr	179½	21	141	33	106	48	76	66	52½	94½	33½	135½	18	161½	11	203½
May	198½	31	160½	44	128	61½	98½	81½	74	108	52½	137	37½	172	25	210
Jun	208	42½	170	53½	141	74	118	92	88	120	65	148½	50	182	34½	217
Dec†			261	100			200	137½			152½	188½			119½	248½

Calls 4,857 Puts 4,357

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	2825		2875		2925		2975		3025		3075		3125		3175	
Mar	191	4½	145½	9½	103	16½	66½	29½	38	51	18	80½	7½	120	2½	164½
Apr	198	16½	158	26	121½	39	88	57	64	80	43½	109	28	143	17½	182
May	215	22½	175	32	138	45	105½	62½	77½	84½	58	112	37½	144½	24½	181½
Jun	228½	38	193½	51½	157	64	128	84	100½	105½	79	133	58½	161	44	195½
Sept†	269½	57½					201	86½	143	125			87½	175½		

Calls 1,888 Puts 1,429 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

FT GOLD MINES INDEX

	Feb 17	% chg on day	Feb 16	Feb 15	Year ago	Gross div yield %	52 week High	Low
Gold Mines Index (34)	1717.68	+0.7	1706.20	1708.46	2069.63	2.23	2337.90	1637.91
■ Regional Indices								
Africa (16)	2646.33	-0.4	2658.23	2700.26	2768.90	5.20	3711.87	2304.45
Australasia (7)	1831.05	-1.8	1864.38	1859.56	2643.39	0.89	2951.49	1788.20
North America (11)	1428.87	+1.8	1403.39	1361.51	1775.39	0.79	1911.21	1348.18

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Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92. Predecessor Gold Mines Index: Feb 20: 200.3 ; day's change: +0.6 Year ago: 209.6 † Partial. Latest prices were unavailable for this edition.

FT - SE Actuaries Share Indices — The UK Series

	Feb 20	Day's chge%	Feb 17	Feb 16	Feb 15	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3018.6	-0.8	3044.2	3051.1	3074.9	3350.3	4.34	7.52	15.72	11.83	1156.92
FT-SE Mid 250	3416.1	-0.6	3437.2	3438.7	3453.2	3963.9	3.73	6.47	18.45	9.72	1290.71
FT-SE Mid 250 ex Inv Trusts	3427.2	-0.6	3448.7	3450.5	3463.5	4002.1	3.87	6.99	17.19	9.86	1293.02
FT-SE-A 350	1510.4	-0.8	1522.5	1525.3	1535.9	1685.8	4.20	7.28	16.27	5.55	1184.36
FT-SE-A 350 Higher Yield	1540.0	-0.8	1552.8	1554.6	1566.1	1695.9	5.22	7.65	15.62	8.10	993.89
FT-SE-A 350 Lower Yield	1480.6	-0.8	1491.9	1495.7	1505.5	1652.4	3.17	6.90	16.99	3.05	977.98
FT-SE SmallCap	1711.59	-0.2	1715.33	1715.84	1719.71	2067.54	3.40	5.86	21.38	4.71	1341.49
FT-SE SmallCap ex Inv Trusts	1690.29	-0.2	1693.36	1693.63	1696.89	2047.89	3.60	6.54	19.44	4.72	1329.32
FT-SE-A ALL-SHARE	1494.58	-0.7	1505.80	1508.39	1518.36	1686.96	4.14	7.17	16.58	5.38	1191.72

■ FT-SE Actuaries All-Share

	Feb 20	Day's chge%	Feb 17	Feb 16	Feb 15	Year ago	Div. yield%	Earn yield%	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(24)	2644.26	-0.4	2655.48	2648.21	2675.61	2575.93	3.66	6.20	20.35	8.68	1071.04
12 Extractive Industries(7)	3340.96	-1.1	3378.86	3384.51	3448.72	3795.69	3.63	5.63	21.22	0.00	921.91
15 Oil, Integrated(3)	2668.11	-0.3	2677.11	2686.60	2691.72	2514.82	3.77	7.03	17.73	11.39	1108.53
16 Oil Exploration & Prod(14)	1915.48	......	1915.67	1912.63	1919.99	1871.71	2.54	‡	‡‡	0.00	1108.27
20 GEN INDUSTRIALS(276)	1794.09	-0.6	1804.59	1811.81	1818.77	2171.03	4.36	6.06	19.59	4.39	925.06
21 Building & Construction(38)	925.27	-0.6	930.98	936.55	942.33	1538.72	4.21	6.90	18.84	0.81	731.20
22 Building Matls & Merchs(31)	1690.41	-0.1	1692.56	1717.27	1735.37	2293.71	4.53	6.57	18.38	0.20	804.60
23 Chemicals(23)	2171.41	-0.7	2187.38	2195.67	2194.04	2415.70	4.36	5.44	22.36	0.59	970.45
24 Diversified Industrials(17)	1768.85	-1.1	1788.01	1796.66	1816.73	2129.69	5.27	6.71	17.14	12.90	922.53
25 Electronic & Elect Equip(36)	1882.78	-0.3	1888.80	1886.87	1890.48	2176.46	4.03	6.81	17.43	2.50	931.59
26 Engineering(72)	1731.63	-0.6	1741.84	1742.16	1736.22	1975.38	3.49	5.67	20.70	2.87	999.82
27 Engineering, Vehicles(13)	2079.78	-1.1	2103.71	2107.45	2122.48	2448.00	4.81	1.56	60.00†	0.18	1018.17
28 Paper, Pckg & Printing(27)	2714.78	+0.2	2710.21	2713.19	2707.21	3002.53	3.32	5.97	19.33	0.17	1074.63
29 Textiles & Apparel(21)	1461.68	+0.1	1459.55	1459.40	1469.18	1957.39	4.64	6.70	19.37	1.88	837.93
30 CONSUMER GOODS(95)	2806.39	-1.1	2837.10	2843.29	2862.70	2909.49	4.38	7.32	15.95	17.58	981.35
31 Breweries(18)	2143.76	-0.2	2148.27	2145.63	2157.28	2193.91	4.46	8.58	14.03	10.49	981.46
32 Spirits, Wines & Ciders(10)	2495.12	-1.2	2524.15	2536.92	2568.77	3036.41	4.57	7.89	14.99	26.30	851.94
33 Food Producers(24)	2348.46	-0.5	2359.20	2358.15	2356.78	2483.30	4.20	7.49	15.84	14.57	1005.46
34 Household Goods(10)	2515.75	-0.9	2538.04	2533.58	2548.84	2885.35	3.54	6.65	18.11	0.45	911.55
36 Health Care(18)	1583.99	-0.9	1598.47	1597.17	1606.76	1882.65	3.16	3.50	39.57	0.58	925.37
37 Pharmaceuticals(13)	3460.64	-1.3	3505.05	3504.18	3524.84	3128.06	4.08	6.25	18.49	25.70	1118.24
38 Tobacco(2)	3537.99	-2.4	3623.83	3689.06	3746.60	4026.76	6.07	10.30	10.60	0.00	807.04
40 SERVICES(231)	1824.12	-0.8	1838.59	1845.94	1854.44	2127.61	3.46	7.21	16.74	4.90	906.45
41 Distributors(32)	2244.29	-0.2	2249.24	2258.59	2264.03	3163.71	4.17	8.06	14.68	1.53	784.72
42 Leisure & Hotels(29)	2074.49	-0.9	2092.64	2093.72	2111.73	2342.44	3.47	5.88	20.32	9.67	1033.45
43 Media(43)	2694.76	-0.6	2711.75	2718.97	2710.78	3311.13	2.71	5.94	19.73	2.06	939.01
44 Retailers, Food(16)	1750.70	-0.8	1765.33	1769.65	1770.16	1601.11	3.76	9.16	13.39	2.54	1058.05
45 Retailers, General(45)	1498.82	-0.4	1505.56	1514.49	1527.97	1788.28	3.57	7.77	15.97	7.63	819.81
48 Support Services(38)	1442.71	-1.2	1460.43	1467.41	1473.87	1787.78	2.91	6.69	17.62	1.08	884.23
49 Transport(21)	2143.22	-1.6	2177.39	2192.92	2215.18	2687.15	3.96	7.09	16.67	3.32	847.80
51 Other Services & Business(7)	1198.18	-0.1	1199.90	1203.32	1206.93	1337.78	3.73	4.63	29.14	5.42	1044.23
60 UTILITIES(37)	2357.34	-0.6	2371.44	2363.84	2385.96	2580.42	4.61	7.60	16.02	6.85	928.81
62 Electricity(17)	2486.77	-0.5	2499.87	2473.30	2482.21	2445.30	4.11	10.21	11.68	19.89	1064.22
64 Gas Distribution(2)	2035.14	-0.6	2047.94	2041.54	2060.76	2250.61	5.89	‡	‡	0.00	855.89
66 Telecommunications(5)	1946.94	-0.4	1954.94	1957.07	1981.91	2267.53	4.20	6.91	17.66	0.13	845.02
68 Water(13)	1727.50	-1.4	1751.27	1763.69	1791.91	1988.93	5.79	13.89	7.86	4.62	880.87
69 NON-FINANCIALS(665)	1617.30	-0.7	1629.28	1631.87	1642.42	1798.86	4.11	6.92	17.35	5.80	1159.26
70 FINANCIALS(119)	2114.88	-0.9	2133.23	2138.98	2154.80	2554.98	4.66	9.64	12.01	8.25	847.68
71 Banks, Retail(8)	2766.58	-1.0	2794.48	2804.76	2838.84	3333.40	4.50	10.49	10.84	18.56	836.68
72 Banks, Merchant(8)	3069.04	-0.4	3079.92	3092.39	3111.22	3391.33	3.69	8.95	13.05	0.00	832.13
73 Insurance(27)	1182.56	-1.3	1197.86	1202.45	1209.48	1468.13	5.60	9.97	11.44	0.61	818.25
74 Life Assurance(6)	2339.47	-0.8	2357.32	2367.63	2348.89	2663.27	5.46	7.96	15.31	0.00	905.40
77 Other Financial(23)	1852.58	-0.2	1856.13	1852.69	1854.89	2160.90	4.02	8.04	14.71	2.11	1001.94
79 Property(46)	1367.03	-0.4	1372.28	1368.73	1371.53	1784.48	4.40	7.81	16.05	1.14	793.86
80 INVESTMENT TRUSTS(133)	2596.15	-0.5	2608.55	2609.42	2627.47	2992.36	2.41	2.07	48.36	6.80	879.45
89 FT-SE-A ALL-SHARE(917)	1494.58	-0.7	1505.80	1508.39	1518.36	1686.96	4.14	7.17	16.58	5.38	1191.72
FT-SE-A Fledgling	975.82	-0.3	978.63	980.84	981.99	-	2.98	-	-	2.84	978.72
FT-SE-A Fledgling ex Inv Trusts	976.90	-0.3	979.66	982.14	983.34	-	3.15	-	-	3.04	979.89

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3030.4	3028.2	3027.4	3018.3	3018.4	3018.7	3018.4	3016.8	3017.4	3030.4	3013.0
FT-SE Mid 250	3433.1	3429.5	3424.2	3420.0	3417.6	3417.9	3417.7	3416.9	3415.7	3433.1	3414.7
FT-SE-A 350	1516.7	1515.5	1514.7	1510.7	1510.5	1510.7	1510.5	1509.8	1510.0	1516.7	1508.2

Time of FT-SE 100 Day's high: 8.30am Day's low: 3.34pm. FT-SE 100 1994 High: 3520.3(2/2/94) Low: 2876.6(24/6/94).

■ FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	867.7	866.9	864.2	861.6	861.4	861.1	861.8	861.8	862.1	864.0	869.1	-5.1
Pharmaceuticls	3456.1	3452.6	3449.7	3432.4	3432.6	3432.6	3431.6	3428.3	3429.9	3429.9	3474.3	-44.4
Water	1741.3	1739.9	1730.3	1730.3	1727.3	1727.1	1726.9	1727.0	1719.7	1721.8	1746.0	-24.2
Banks, Retail	2800.6	2801.3	2802.7	2798.4	2802.0	2801.8	2805.0	2800.9	2801.7	2801.9	2830.1	-28.2

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper-based products relating to these indices, is available from FINSTAT, Fitzroy House, 13-17 Epworth Street, London EC2A 4DL. The FT-SE 100, the FT-SE Mid 250, FT-SE Actuaries 350 and the FT-SE Actuaries Industry baskets are calculated by the International Stock Exchange of the United Kingdom and Republic of Ireland and the FT-SE Actuaries All-Share Index is compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules. © The International Stock Exchange of the United Kingdom and Republic of Ireland Limited 1995. © The Financial Times Limited 1995. All rights reserved. "FT-SE" and "Footsie" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited. The FT-SE Actuaries Share Indices are audited by The WM Company. † Sector P/E ratios greater than 80 are not shown. ‡ Values are negative.

TRADING VOLUME

■ **Major Stocks Yesterday**

	Vol. 000s	Closing price	Day's change
3i†	357	354	-½
ASDA Group†	4,400	67	
Abbey National†	2,100	437	+1
Albert Fisher	908	44	-1
Allied Domecq†	1,300	493	-5
Anglian Water	139	478	-8
Argos	800	337	-6
Argyll Group†	719	269	-4
[illegible]	[illegible]	[illegible]	[illegible]

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FT-SE 100 Index constituent. All trades are rounded.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 21.02.95: Pool purchase price £/MWh	Final Prices for Trading on 24.01.95: Pool purchase price £/MWh	Pool selling price £/MWh
0030	8.80	9.56	9.56
0100	8.95	11.51	13.15
0130	8.95	11.51	13.15
0200	8.95	20.09	21.72
0230	8.95	20.09	21.72
0300	8.91	20.09	21.72
0330	8.91	20.09	21.72
0400	8.80	9.59	9.59
0430	8.79	9.51	9.51
0500	8.75	9.51	9.51
0530	8.79	9.56	9.56
0600	8.78	9.56	9.56
0630	8.95	9.57	9.57
0700	9.06	10.65	10.65
0730	8.03	34.00	38.01
0800	8.06	110.65	116.61
0830	10.25	117.55	125.33
0900	10.61	102.66	111.14
0930	12.63	57.12	65.39
1000	13.29	57.39	65.64
1030	13.28	55.83	63.79
1100	11.61	53.71	61.24
1130	11.57	54.43	62.13
1200	13.05	56.70	64.85
1230	12.98	100.13	107.60
1300	11.22	52.91	59.52
1330	10.64	41.03	46.03
1400	10.65	36.17	40.34
1430	10.57	34.86	38.49
1500	10.54	34.10	37.75
1530	10.54	37.76	42.32
1600	10.72	60.79	71.36
1630	11.77	178.46	214.42
1700	18.68	431.64	511.49
1730	29.92	682.96	674.97
1800	53.61	557.45	832.29
1830	67.28	313.34	362.41
1900	58.89	158.49	182.35
1930	30.90	84.00	97.46
2000	16.32	44.53	49.61
2030	12.16	30.55	33.31
2100	11.75	27.57	29.62
2130	9.10	26.47	28.23
2200	9.07	25.53	27.19
2230	8.99	25.83	27.47
2300	8.95	9.57	9.57
2330	8.79	9.56	9.56
2400	8.75	9.52	9.52

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.88/MWh becomes 1.688p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0115 945 6789 between 8.30am and 6.15pm Monday to Friday
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صكتا من الاهل

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WORLD STOCK MARKETS

EUROPE

AUSTRIA (Feb 20 / Sch)

[illegible]

BELGIUM/LUXEMBOURG (Feb 20 / Frs.)

[illegible]

CZECH REP (Feb 14 / Koruna)

[illegible]

DENMARK (Feb 20 / Kr)

[illegible]

FINLAND (Feb 20 / Mka)

[illegible]

FRANCE (Feb 20 / Frs.)

[illegible]

GERMANY (Feb 20 / Dm.)

[illegible]

GREECE (Feb 20 / Drachma)

[illegible]

ITALY (Feb 20 / Lire)

[illegible]

NETHERLANDS (Feb 20 / Fls.)

[illegible]

NORWAY (Feb 20 / Kroner)

[illegible]

POLAND (Feb 17 / Zloty)

[illegible]

PORTUGAL (Feb 20 / Escudo)

[illegible]

SPAIN (Feb 20 / Pts.)

[illegible]

SWEDEN (Feb 20 / Kroner)

[illegible]

SWITZERLAND (Feb 20 / Frs.)

[illegible]

TURKEY (Feb 20 / TK Lira)

[illegible]

PACIFIC

JAPAN (Feb 20 / Yen)

[illegible]

HONG KONG (Feb 20 / H.K.$)

[illegible]

INDONESIA (Feb 20 / Rupiah)

[illegible]

MALAYSIA (Feb 20 / MYR)

[illegible]

NEW ZEALAND (Feb 20 / NZ $)

[illegible]

SINGAPORE (Feb 20 / S$)

[illegible]

AUSTRALIA (Feb 20 / Aust$)

[illegible]

SOUTH KOREA (Feb 20 / Won)

[illegible]

TAIWAN (Feb 20 / TW $)

[illegible]

THAILAND (Feb 20 / Baht)

[illegible]

AFRICA

SOUTH AFRICA (Feb 20 / Rand)

[illegible]

W Areas	49.50	+.50	71.75	48	6.3
W Deep	132xd	-.50	183	120.50	3.8
Winkln	41	...	56	41	4.9

NORTH AMERICA

CANADA

TORONTO (Feb 20 / Can $) 4 pm close

[illegible]

MONTREAL (Feb 20 / Can $) 4 pm

[illegible]

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1995, except Toronto & Montreal (daily). # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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INDICES

	Feb 20	Feb 17	Feb 16	1994/5 High		1994/5 Low	
Argentina							
General (29/12/77)	(u)	12763.57	12185.81	25470.49	16/2/94	12185.81	16/2/95
Australia							
All Ordinaries(1/1/80)	1852.3	1858.2	1860.2	2340.60	3/2/94	1823.30	8/2/95
All Mining(1/1/80)	821.0	819.6	821.1	1136.10	3/2/94	785.30	8/2/95
Austria							
Credit Aktien(30/12/84)	(u)	366.49	362.60	468.86	2/2/94	361.34	3/2/95
Traded Index(2/1/91)	986.82	990.42	978.71	1222.25	1/2/94	969.30	3/2/95
Belgium							
BEL20 (1/1/91)	1343.35	1350.48	1350.52	1542.85	9/2/94	1336.39	7/10/94
Brazil							
Bovespa (29/12/83)	(u)	30233.0	28638.0	55110.00	13/9/94	3980.90	3/1/94
Canada							
Metals Mins♦(1975)	(u)	3926.80	3941.38	4326.07	18/1/95	3289.08	20/4/94
Composite♦ (1975)	(u)	4101.20	4099.70	4609.99	23/3/94	3859.98	24/6/94
Portfolio§§ (4/1/83)	(u)	2024.02	2022.49	2182.69	1/2/94	1866.48	28/6/94
Chile							
IPGA Gen (31/12/80)	(u)	5190.9	5147.7	5764.40	21/11/94	3801.20	4/4/94
Denmark							
CopenhagenSE(3/1/83)	353.01	354.24	355.16	415.79	2/2/94	335.68	20/12/94
Finland							
HEX General(28/12/90)	1758.6	1799.7	1822.6	1972.00	4/2/94	1601.10	3/1/94
France							
SBF 250 (31/12/90)	1197.97	1210.10	1216.18	1585.29	2/2/94	1178.82	23/1/95
CAC 40(31/12/87)	1802.24	1822.47	1835.00	2355.93	2/2/94	1772.84	23/1/95
Germany							
FAZ Aktien(31/12/58)	784.19	787.05	785.81	858.27	18/5/94	742.04	5/10/94
Commerzbank(1/12/53)	2235.6	2242.9	2269.0	2485.50	2/5/94	2116.30	5/10/94
DAX (30/12/87)‡	2101.54	2117.03	2115.72	2271.11	16/5/94	1960.59	7/10/94
Greece							
Athens SE(31/12/80)	820.61	830.21†	835.34	1194.58	18/1/94	789.22	8/2/95
Hong Kong							
Hang Seng(31/7/64)	7906.74	8043.01	8133.34	12201.09	4/1/94	6967.93	23/1/95
India							
BSE Sens.(1979)	3356.73	3383.89	3409.69	4628.57	12/9/94	3356.73	20/3/95
Indonesia							
Jakarta Comp.(10/8/82)	454.03	453.14	455.59	612.89	5/1/94	432.96	25/1/95
Ireland							
ISEQ Overall(4/1/88)	1885.86	1898.55	1894.19	2082.16	20/1/94	1694.34	1/7/94
Italy							
Banca Comm Ital (1972)	654.31	655.90	658.05	817.17	10/5/94	581.64	13/12/94
MIB General (2/1/95)	1034.0	1036.0	1041.0	1078.00	10/2/95	979.00	10/1/95
Japan							
Nikkei 225 (16/5/49)	17956.46	18020.51	17780.59	21552.81	13/6/94	17369.74	4/1/94
Nikkei 300 (1/10/82)	256.21	257.09	253.71	311.71	13/6/94	253.71	16/2/95
Topix (4/1/68)	1395.57	1400.61	1384.17	1712.73	13/6/94	1384.17	16/2/95
2nd Section (4/1/68)	1809.24	1809.84	1805.98	2542.85	8/7/94	1805.98	16/2/95
Malaysia							
KLSE Comp.(4/4/86)	989.50	995.24	989.99	1314.46	5/1/94	840.87	24/1/95
Mexico							
IPC (Nov 1978)	(u)	1830.47	1831.50	2881.17	8/2/94	1798.00	16/2/95
Netherland							
CBS TtlRtnGen(End 83)	442.2	443.4	442.3	454.90	31/1/94	406.90	21/6/94
CBS All Shr (End 83)	277.4	278.2	277.5	294.80	31/1/94	257.90	21/6/94
New Zealand							
Cap. 40 (1/7/86)	1990.45	1996.73	1988.21	2439.84	3/2/94	1878.09	12/12/94
Norway							
Oslo SE(Ind)(2/1/83)	1110.79	1121.92	1120.78	1211.18	28/2/94	980.91	21/6/94
Philippines							
Manila Comp (2/1/85)	2589.86	2608.76	2632.98†	3308.37	4/1/94	2374.86	24/1/95
Portugal							
BTA (1977)	2747.3	2766.5	2766.5	3226.80	18/2/94	2612.96	20/6/94
Singapore							
SES All-S'pore(2/4/75)	511.19	511.77	512.81	641.61	4/1/94	472.89	23/1/95
South Africa							
JSE Gold (28/9/78)	1581.0▼	1582.7	1583.0	2534.00	7/9/94	1465.20	30/1/95
JSE Indl. (28/9/78)	6271.7▼	6295.2	6310.9	6984.40	30/12/94	5446.80	19/1/94
South Korea							
KoreaCompEx(4/1/80)**	929.23	910.22	923.49	1138.75	8/11/94	855.37	2/4/94
Spain							
Madrid SE (30/12/85)	281.70	284.24	285.30	358.31	31/1/94	276.36	11/1/95
Sweden							
AffarsvarldsGen (1/2/37)	1532.8	1531.8	1544.5	1803.90	31/1/94	1334.79	6/7/94
Switzerland							
Swiss Bk Ind (31/12/58)	1240.37	1240.80	1249.92	1423.34	31/1/94	1138.72	27/10/94
SBC General (1/4/87)	914.15	914.73	920.57	1068.28	31/1/94	876.57	27/10/94
Taiwan							
WeightedPr.(30/6/66)**	6612.97	6646.25	6646.55	7191.13	1/11/94	5194.63	19/3/94
Thailand							
Bangkok SET (30/4/75)	1296.98	1304.27	1308.22	1753.73	4/1/94	1181.28	23/1/95
Turkey							
Istanbul Cmp.(Jan 1986)	29030.0	28214.1	27976.6	29145.10	2/12/94	12880.70	24/3/94
WORLD							
MS Capital Int (1/1/70)§	616.7*	616.6	614.5▼	649.90	2/11/94	591.60	1/11/94
CROSS-BORDER							
Eurotrack 100(26/10/90)	1314.92	1322.06	1329.52	1540.19	31/1/94	1266.48	5/10/94
Euro Top-100 (26/6/90)	1163.70	1171.93	1176.67	1311.01	2/2/94	1136.48	5/10/94
JCapelDrgns (31/12/88)	(u)	294.59	296.88	395.39	5/1/94	281.46	23/1/95
Barings Emerg.(7/1/92)	134.45	132.38	133.79	191.79	28/9/94	132.38	17/2/95

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
CAC-40							
Feb	1820.0	1808.0	-24.0	1822.0	1807.0	10,682	28,079
Mar	1827.5	1815.5	-24.0	1827.5	1815.0	922	23,537
DAX							
Mar	2107.0	2111.0	-13.0	2114.0	2103.5	10,221	89,430
Jun	2128.5	2130.5	-11.5	2133.0	2124.5	117	32,730
OMX							
Feb	1173.00	1173.00	+2.00	1174.75	1165.00	5,300	17,298
Mar	1176.00	1180.00	+3.00	1180.00	1171.50	3,388	9,361
SOFFEX							
Feb	2598.0	2608.9	-8.1	2607.9	2593.4	3,082	12,352
Mar	2610.0	2611.5	-16.0	2610.0	2600.0	30	596

** Sat Feb 18: Taiwan Weighted Price 6650.29; Korea Comp Ex 909.44. Base values of all indices are 100 except Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 25 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Feb 20 - 2101.98 -17.31.

US INDICES

Dow Jones	Feb 17	Feb 16	Feb 15	1994/5 High	1994/5 Low	Since compilation High	Since compilation Low
Industrials	3953.54	3987.52	3986.17	3987.52 (16/2/95)	3593.35 (4/4/94)	3987.52 (16/2/95)	41.22 (2/7/32)
Home Bonds	96.43	96.00	95.81	105.81 (21/1/94)	93.56 (30/12/94)	109.77 (16/10/93)	54.99 (1/10/81)
Transport	1566.81	1571.94	1575.66	1862.29 (2/2/94)	1371.89 (13/12/94)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	193.71	194.24	193.84	227.86 (3/1/94)	173.94 (22/11/94)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 4001.99 (4011.07) Low 3937.05 (3948.16) (Theoretical♦)
Day's high 3984.16 (3987.52) Low 3953.53 (3964.64) (Actual♦)

Standard and Poors	Feb 17	Feb 16	Feb 15	1994/5 High	1994/5 Low	Since compilation High	Since compilation Low
Composite ‡	481.97	485.22	484.54	485.22 (16/2/95)	438.92 (4/4/94)	485.22 (16/2/95)	4.40 (1/6/32)
Industrials▼	570.00	574.05	572.70	574.05 (17/2/95)	510.05 (21/4/94)	574.05 (17/2/95)	3.62 (21/6/32)
Financial	45.52	45.67	45.76	48.94 (14/6/94)	39.87 (22/11/94)	48.49 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	261.83	263.27	263.19	267.71 (2/2/94)	243.14 (4/4/94)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	447.60	447.88	448.35	487.89 (2/2/94)	420.23 (13/12/94)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	786.97	793.31	795.63	803.93 (18/3/94)	693.79 (24/6/94)	803.93 (18/3/94)	54.87 (31/10/72)

■ RATIOS

	Feb 17	Feb 10	Feb 3	Year ago
Dow Jones Ind. Div. Yield	2.72	2.72	2.73	2.59
	Feb 15	Feb 8	Feb 1	Year ago
S & P Ind. Div. yield	2.36	2.38	2.42	2.36
S & P Ind. P/E ratio	19.57	19.38	18.96	29.08

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Motorola	19,687,500	57¾	-6¾
RJ Nabisco	10,251,600	5½	-⅛
Telefonos	9,182,300	30½	—
Merck	6,282,800	41⅞	+⅞
AT&T	4,250,300	50½	-⅜
Gen Electric	4,199,200	53⅝	-⅜
Philip Morris	3,873,300	60⅛	-1⅝
Sears Roe	3,514,000	47⅛	+¼
Wal Mart	3,302,500	23⅝	-⅛
Coca Cola	3,241,800	53½	-½

■ TRADING ACTIVITY

● Volume (million)

	Feb 17	Feb 16	Feb 15
New York SE	347.923	380.984	377.942
Amex	14.033	17.882	17.167
NASDAQ	322.982	322.982	380.072
NYSE			
Issues Traded	2,946	2,964	2,961
Rises	911	870	1,461
Falls	1,220	1,335	743
Unchanged	815	759	737
New Highs	42	59	99
New Lows	39	72	57

	Open	Sett price	Change	High	Low	Est. vol.	Open Int.
S&P 500 (Feb 17)							
Mar	486.90	484.45	-1.85	496.30	483.90	72,265	196,493
Jun	489.90	488.40	-1.85	489.90	487.90	1,941	19,518
Nikkei 225							
Mar	18050.0	18010.0	-70.0	18160.0	17980.0	23,985	126,989
Jun	18170.0	18070.0	-60.0	18200.0	18040.0	2,429	31,723

Open interest figures for previous day.

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ▼ Subject to official recalculation.

■ TOKYO - MOST ACTIVE STOCKS: Monday, February 20, 1995

	Stocks Traded	Closing Prices	Change on day
Hachijuni Bank	9.5m	1170	+10
Toho Gas	6.1m	354	-4
Nippon Steel	6.0m	344	+5
Sumitomo Const	5.8m	703	-30
NKK	4.6m	258	+11
Keio Teito	4.1m	580	+11
SS Pharm	4.0m	709	-1
Toshiba	3.7m	807	-8
Higashi Nip Bnk	3.6m	771	+1
Fudo Const	3.6m	1060	-30

EUROPE

Weak dollar sours bourse sentiment

Friday's fall on Wall Street and the continued weakness of the dollar left bourses with no upside potential, *writes Our Markets Staff.*

FRANKFURT retreated on the dollar and the imminent threat of strike action in the metal-working industries, the Dax index breaking below 2,100 before closing the session 15.49 lower at 2,101.54.

Turnover fell from DM6.2bn to DM4.1bn. After hours, the Ibis-indicated Dax traded narrowly before closing at 2,101.98.

Volkswagen underperformed a weak market, relinquishing DM9 to DM406. There were reports that another attempt by VW and General Motors, of the US, to settle the Lopez affair, and its attendant allegations of industrial espionage, had failed.

Wall Street was closed yesterday in observance of Presidents' Day

Among the threatened steels and engineers, Krupp-Hoesch fell DM6 to DM224, Preussag DM8.20 to DM456.50, Thyssen DM4.40 to DM294.80 and Kugelfischer, the bearings manufacturer, by DM7 to DM231.

Chemicals saw profit-taking, with BASF, the most sensitive of the big three to the economic cycle, down DM3.90 at DM323.50.

Meanwhile, Buderus, the heating engineer, lost DM25 at DM715 after Bilfinger & Berger, the construction group, said that it had withdrawn plans to raise its 15 per cent stake in the company.

PARIS narrowly avoided closing below the 1,800 level in a session dominated by technical trading amid light volume. Sentiment continued to be soured by weakness of the dollar as the CAC-40 index lost 20.23 or 1 per cent at 1,802.24 in turnover of FFr2.6bn.

Chartists noted that investors would be looking to see whether the index, having fallen through the 1,815 support line, would hold above the next barrier at 1,770.

The French brokers association recently revised down its 1994 and 1995 eps estimates for quoted companies. The average downward revision for companies quoted in the CAC-40 index was 1.7 per cent for 1994 and 1 per cent in 1995. This was largely as a result of disappointing figures from companies in the financial sector, of which 18 were downgraded from a total of 25.

Institutional buying steadied Seita, the tobacco group, on the first day of trading, and the shares closed at FFr133, up FFr4 on the price offered to retail investors, but unchanged on the institutional offer price. The stock had been oversubscribed 3.9 times by retail investors, and the government had clawed back a 20 per cent tranche from the institutional offering, leaving them underweight.

MILAN ended marginally weaker as investors awaited details of the government's mini-budget, due to be announced in the next few days. The Comit index closed 1.59 off at 654.31, while the real time Mibetl index lost 79 at 10,428.

Against the trend, Bonifiche Siele rose a further L468 to L34,200 on top of Friday's 20 per cent gain, following news at the end of last week that Banca di Roma was to take a majority stake through a bid for Banca Nazionale dell'Agricultura. Roma eased L1 to L1,620 and BNA dived L379 or 12.8 per cent to L2,404.

Elsewhere among banks, Comit lost L89 to L3,800 and Credito Italiano L16 to L1,830.

Ferruzzi and its subsidiary Montedison fielded the resignation as chairman of Mr Guido Rossi, who believed that his mandate had now come to an end as the group "had overcome the emergency situation and the restructuring plan is being executed". He was replaced by Mr Luigi Lucchini, an industrialist, and the shares of the two companies closed respectively down L32 and L9 at L1,091 and L1,218.

AMSTERDAM had most of its excitements to come with results due this week from Philips, Polygram, Unilever and Royal Dutch. Of these, only Polygram rose on the day, up 70 cents at Fl 84.30, with Philips flat at FL 56.50 after surrendering early gains on dividend hopes and both Unilever and Royal Dutch down.

The AEX index finished 0.92 lower at 410.03. Volker Stevin, the construction group, dropped Fl 1.10 as HBG made a further cut in its stake in the company to 5.1 per cent; KPN, entering the AEX index yesterday, eased a gentle 20 cents to Fl 58; but Fokker, in leaving it, fell 90 cents or 7.8 per cent to Fl 10.70 after a report that its German parent, Dasa, planned more job cuts.

ZURICH, rather than slide on the weak dollar, virtually stood still on the absence of US participants on a day's holiday. The SMI index eased 3.8 to 2,597.2.

UBS bearers rose SFr12 to SFr1,192 ahead of Friday's annual news conference.

Meanwhile, Mr Martin Ebner's BK Vision, with its annual general meeting coming up, recovered another SFr25 to SFr1,220.

In industrials, Holderbank, the cement maker, fell SFr12 to SFr915 on continued fears that its Mexican unit would sustain heavy losses in 1995 due to the country's financial crisis.

MADRID followed the trend set by other markets, the general index slipping 2.54 to 281.70. The construction sector was the worst hit, falling by some 4 per cent.

OSLO saw a big recovery in Norsk Hydro's 1994 results, but not quite the scale of increase that it was expecting. Hydro lost NKr8 at NKr258 and the all-share index dropped 5.23 to 638.29 in turnover of NKr490.6m. However, there was a winner in the oil industry, Saga Petroleum A rising NKr2 to NKr84 on a promising gas find.

HELSINKI fell 2.4 per cent, dragged lower by Nokia, the telecoms group, which shed another FM49 or 6.7 per cent to FM679 following Friday's news of excess cellular telephone inventories at Motorola in the US. The Hex index closed 43.1 lower at 1,756.6. However, **STOCKHOLM**, which responded positively both last October and last month to good Motorola quarterlies, decided yesterday that Ericsson's product range now made it a case apart, and the B shares actually rose SKr3 to SKr417 as the Affärsvärlden General index finished 1.00 higher at 1,532.80.

ISTANBUL rallied 2.9 per cent in record turnover as investors were encouraged by the announcement at the weekend of a merger between two of the country's social democratic parties.

The composite index gained 815.88 or 2.9 per cent at 29,030.06, just below the life high of 29,145.09 established on December 2, 1994. Turnover was TL7,675bn, up from the previous record of TL6,686bn.

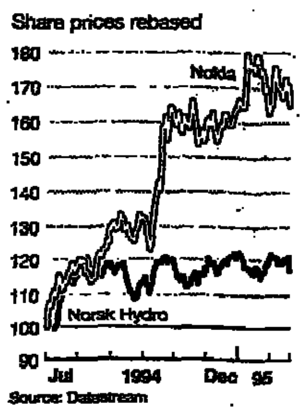
FT-SE Actuaries Share Indices

Feb 20 — THE EUROPEAN SERIES

Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1316.36	1315.46	1314.92	1314.25	1315.10	1315.09	1315.16	1314.92
FT-SE Eurotrack 200	1371.60	1368.72	1366.91	1368.30	1368.74	1367.36	1368.57	1367.73

	Feb 17	Feb 16	Feb 15	Feb 14	Feb 13
FT-SE Eurotrack 100	1322.06	1329.52	1343.63	1346.14	1342.94
FT-SE Eurotrack 200	1377.81	1383.58	1394.10	1394.51	1398.45

Base 1000 (26/10/90) Highday: 100 - 1316.36; 200 - 1371.60 Lowday: 100 - 1314.04 200 - 1366.81 † Partial



Written and edited by William Cochrane and John Pitt

CANADA

Toronto stocks were quietly traded during the morning session in the absence of a lead from Wall Street. At noon the TSE-300 index was down 2.67 at 4,098.50.

Among other sub-indices, financial services fell by 5.84 to 3,163.16, metals and minerals were off 16.73 at 3,910.07, oil and gas firmed 0.63 to 3,962.25 and industrial products lost 9.64 at 2,729.19. Among the most active issues, Fletcher Canada was up C$½ at C$18.

Mexico falls on interest rate rise

Mexico extended its losses in light trade after Banco de Mexico announced that it was to increase short-term interest rates by about 10 per cent for a brief period to attract capital inflows and strengthen the peso.

The IPC index was down 19.39 or 1.06 per cent by midday at 1,811.08. Activity remained light because of the closure of Wall Street, with turnover estimated at 37.97m pesos.

Among the active stocks, Telmex A shares were off 3.2 per cent and its L shares were down 1.16 per cent.

SAO PAULO was pressured by settlement of options which left the Bovespa index down 380 or 1.2 per cent at 29,853 by 1 pm. Turnover was thin at R$1.45bn ($1.72bn), with some 91 per cent of the total represented by the option markets settlement.

● Merrill Lynch has switched part of its global emerging market portfolio out of Malaysia and into Brazil, *agencies report.*

The US broker said that Brazil's economic reform programme was likely to gather pace: "Privatisations are picking up and inflation numbers continue to look good . . . The risk is that the Real is overvalued and its devaluation has to occur without the type of collapse that hit the peso."

SOUTH AFRICA

Gold shares finished off the session's best levels as strength in the financial rand capped early gains. The overall index lost 9.4 at 5,107.9, the industrial index was 23.5 lower at 6,271.7 and the golds index added 18.3 at 1,581.

Among the most active stocks, De Beers dipped 10 cents to R82.25 and Anglos 50 cents to R184. Gencor shed 10 cents to R12.80. Iscor fell 15 cents to R4.10 on news of a rights issue which aimed to raise some R1.3bn.

ASIA PACIFIC

Hong Kong declines on news of arrest in China

The Hong Kong market closed sharply lower on news of the detention in Beijing of Zhou Beifang, chairman of Shougang Concord International, on allegations of corruption.

The Hang Seng index lost 136.27 or 1.7 per cent at 7,906.74, but was off the day's low of 7,853.10 on futures-led buying in late afternoon trading. Turnover was light at a preliminary HK$2.03bn, against Friday's adjusted HK$2.96bn.

Trade in the shares of Shougang Concord and four of the company's subsidiaries was suspended after the detention of Zhou Beifang. Mr Zhou is a close associate of the younger son of Deng Xiaoping, the ailing Chinese leader.

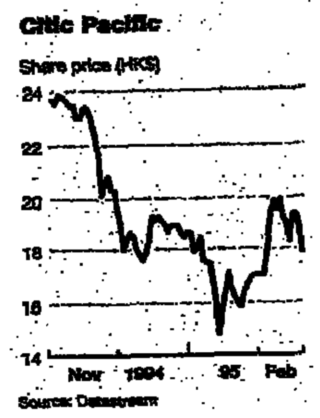
Mr Michael Franklin of James Capel in London commented that the arrest implied that an early stage in the transition of power away from Deng was taking place.

Red chips, those companies which had close links with China, were hard hit: Citic Pacific fell HK$1.00 or 5.3 per cent to HK$17.85 and Oriental Metals shed 6 cents to 84 cents.

Shares of the 15 mainland Chinese companies listed on the market were also affected, while the H-share index dropped 4.8 per cent. Maanshan Iron receded 8 cents to HK$1.52 and Shanghai Petro 15 cents to HK$2.175.

Cheung Kong, which owns a stake in Shougang International, slipped 70 cents to HK$31.20 and Hutchison declined 60 cents to HK$30.80.

Brokers said selling was led by local investors as overseas participation was restrained by yesterday's closure of Wall Street. Investors were also awaiting tomorrow's government land auction and the result of the continuing Sino/US trade talks.



Tokyo

Arbitrage trading led the day's activity as most investors, concerned about the rise of the yen, remained absent, and the Nikkei 225 average ended below 18,000, *writes Emiko Terazono in Tokyo.*

The Nikkei was finally 64.03 easier at 17,956.48 after a day's low of 17,920.76 and high of 18,108.85. The index fluctuated on arbitrage led trading, with the lower end supported by public funds.

Volume totalled 285.8m shares, against a previous 377m. Investors remained on the sidelines due to the appreciation of the yen against the dollar. In the afternoon the dollar slipped to the Y96 level for the first time since November last year.

The Topix index of all first section stocks dipped 5.04 to 1,395.57 and the Nikkei 300 edged down 0.88 to 256.21. Declines outscored rises by 612 to 375, with 188 issues unchanged. But in London the ISE/Nikkei 50 index edged up 0.91 to 1,136.59.

In spite of the stronger yen some investors bought high-technology shares, which had been sold by overseas investors over the past few weeks. However, Japanese institutions, which already hold large portions of high-technology stocks, and overseas investors, who were now trying to move portfolios closer to the Topix index by increasing holdings in utilities, food and drugs and by selling exporters, were unlikely to be aggressive buyers.

"Exporters are swimming against the tide," said Mr Neil Rogers, a strategist at UBS Securities. The cheap valuations of high-technology shares would attract few international investors, who were now focusing on the beneficiaries of domestic growth, he added.

NEC rose Y10 to Y924, Matsushita Electric Industrial added Y20 at Y1,340 and TDK gained Y40 at Y4,030. However, Toshiba and Hitachi both declined Y8 to Y607 and Y840 respectively.

Regional banks were actively traded by investors looking to book profits ahead of the March year-end. Hachijuni Bank, the day's most active stock, put on Y10 at Y1,170 and Higashi-Nippon Bank firmed Y1 to Y771.

In Osaka, the OSE average fell 113.17 to 19,546.06 in volume of 128.7m shares. Rohm, the semiconductor device maker, rose Y170 to Y3,390. The company revised its current year earnings upwards last week thanks to a rise in exports, and expects pre-tax profits to increase by 83 per cent from the previous year.

Roundup

The two mainland Chinese equity markets did not react sharply to the arrest of Mr Zhou.

SHANGHAI's B share index slipped slightly, losing 0.7 per cent to 56.31 amid thin turnover. On the domestic market the A share index edged up 1.49 to 549.08, with many investors switching holdings to the treasury market to take advantage of high interest rates.

SHENZHEN crept ahead on good turnover, the B index gaining 0.06 at 75.86, with Shenbao Industrial, a beverage manufacturer, among the day's best performers with a rise of 13 per cent to HK$1.20.

TAIPEI lost ground on a late wave of selling. The weighted index slipped 37.32 or 0.6 per cent to 6,612.97. Turnover was T$55.5bn. Hualon retreated T$1.70 to T$38.30.

KUALA LUMPUR fell on profit-taking in active trade. The composite index shed 8.74 to 986.50 in M$1.45bn turnover.

BANGKOK eased on selling of finance and banking issues, although there was some buying interest in telecommunications and building materials. The SET index lost 7.28 at 1,296.99 in turnover of Bt4.3bn.

SYDNEY's All Ordinaries index eased 3.0 to 1,853.2 in turnover estimated at A$292m. Fairfax dropped 6 cents to A$2.95 as speculation about a takeover eased.

Italy extends its lead over France

By William Cochrane

Turnover in the French stock market, down 18.8 per cent in January, once again fell behind that of Italy, which saw a very steep 49.9 per cent gain over the month before.

Italy's lead over France in the pecking order, following the UK and Germany, prevailed more often than not in 1994, notes Mr James Cornish of NatWest Securities, which produces the figures; but it provided a lesson in precedent for the majority of European investment strategists, who picked France – sometimes in company with Italy – for outperformance in 1995.

There are opposing arguments on French equities, says Mr Cornish. The bears say the market is tipped annually, and has failed to perform in the 1990s; this year, too, the strength of the D-Mark has tempted investors out of other, potentially weaker currencies.

However, investors are also saying that there are now cheap equities to buy in Paris; Mr Jacques Chirac might find the key to injecting some excitement into his presidential election contest with Mr Edouard Balladur; and daily volume figures have been moving up in France since the middle of January.

Italy's volume climbed as the equity market rose 4.4 per cent, against a 4.7 per cent fall in Paris. In parallel, Mr Lamberto Dini was establishing his position as prime minister in succession to Mr Silvio Berlusconi, with a limited term to be devoted to cutting the budget deficit.

Mr Cornish says that foreign brokers, including his house, were pushing their clients into the market from mid-December onwards. Last month, domestic investors added their weight to the foreign impetus, and Italian turnover on London's Seaq International, screen-based market for international equity trading rose by only 15.3 per cent after a 30.5 per cent increase in the month before.

In total, European domestic turnover rose by 14.1 per cent in January. The upturn was a relief after four months of falls in succession but, even so, the level was 27 per cent below the average of the first six months of 1994.

France apart, the big battalions performed well, with gains in the UK, Germany, Switzerland and the Netherlands, as well as in Italy.

These five did more in spite of a fall in most indices and, accordingly, another drop in the FT-Actuaries Europe index, down 2.3 per cent in January after the 0.3 per cent decline in December. The share price falls, says NatWest, were in line with global weakness responding to the Kobe earthquake in Japan and fears that the US Congress would not bail out Mexico. Volume on Seaq International rose only 4.3 per cent in January after its 16.7 per cent fall in December, suggesting that international investors remained unceded.

In the Netherlands, where turnover jumped 38.5 per cent, the Amsterdam exchange was holding on to a gain in market share which followed the reorganisation of the stock exchange at the end of September, designed to encourage big block trades; the share of total Dutch turnover traded on Seaq International fell to its lowest since February 1994.

The third biggest rise in turnover came in the UK, up 18.5 per cent in January after a December fall of 13.3 per cent.

EUROPEAN EQUITIES TURNOVER
Monthly total in local currencies (bn)

Bourse	Oct 1994	Nov 1994	Dec 1994	Jan 1995	US $bn
Belgium	69.68	80.31	84.30	53.87	1.72
France	154.46	171.19	174.08	141.32	26.88
Germany	132.26	108.54	99.98	114.94	75.87
Italy	47,972	41,848	44,176	68,215	41.35
Netherlands	25.80	26.20	19.50	27.00	15.88
Spain	978.61	1,022.72	1,172.56	1,066.13	8.09
Switzerland	23.50	25.40	18.99	20.30	15.91
UK	43.91	48.08	41.67	49.38	78.35

Volumes represent purchases and sales.
Italian data adjusted to include off-market trading. Some figures may be revised.
Source: NatWest Securities

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY FEBRUARY 17 1995								THURSDAY FEBRUARY 16 1995					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (68)	159.26	-1.3	149.82	98.16	123.26	143.65	-0.2	4.05	161.36	151.79	99.49	125.11	143.99	181.43	157.95	180.86
Austria (18)	177.45	1.8	166.93	109.36	137.34	137.02	1.4	1.18	174.30	163.96	107.47	135.15	135.10	198.89	167.46	185.83
Belgium (35)	172.89	0.3	162.64	106.56	133.81	130.60	0.0	4.23	172.42	162.20	106.31	133.69	130.56	177.04	161.53	166.87
Brazil (28)	119.07	4.7	112.01	73.38	92.15	185.20	4.8	1.87	113.72	106.98	70.12	88.17	176.77	-	-	-
Canada (103)	125.71	-0.2	118.26	77.48	97.30	128.20	0.0	2.72	125.94	118.48	77.66	97.65	128.25	141.01	120.54	135.72
Denmark (33)	260.45	-0.2	245.01	160.52	201.58	207.93	-0.6	1.62	261.02	245.54	160.94	202.38	208.96	275.27	236.61	269.11
Finland (24)	187.00	-1.3	175.91	115.25	144.73	181.43	-1.4	0.81	189.46	178.22	116.82	146.90	183.98	201.41	133.88	152.30
France (101)	164.58	-0.5	154.82	101.43	127.38	139.70	-0.6	3.22	165.37	155.56	101.96	128.22	134.46	181.44	157.79	179.38
Germany (58)	148.81	0.2	139.99	91.71	115.17	115.17	0.0	1.82	148.54	139.73	91.59	115.17	115.17	150.40	128.94	132.54
Hong Kong (58)	326.11	-1.1	306.77	200.99	252.40	323.66	-1.1	3.89	329.83	310.27	203.37	255.74	327.34	437.46	277.40	436.40
Ireland (16)	214.58	0.1	201.86	132.25	166.08	193.20	0.3	3.36	214.30	201.60	132.14	166.17	192.66	216.60	177.56	195.55
Italy (58)	79.54	0.2	74.83	49.02	61.56	95.54	0.5	1.83	79.41	74.70	48.96	61.57	95.03	97.78	67.25	78.39
Japan (464)	143.96	1.2	135.43	88.73	111.43	88.73	1.2	0.86	142.20	133.77	87.68	110.26	87.68	170.10	139.45	140.46
Malaysia (97)	497.64	0.6	468.13	306.70	385.16	489.49	0.7	1.72	494.60	465.27	304.97	383.50	486.14	594.76	398.16	490.32
Mexico (18)	941.78	4.0	885.93	580.43	728.90	6028.86	-0.4	1.80	905.27	851.59	558.18	701.91	6052.48	2568.35	906.27	2568.35
Netherland (19)	225.21	0.6	211.85	138.80	174.30	171.57	0.3	3.37	223.86	210.58	138.03	173.57	170.98	225.21	191.28	204.95
New Zealand (14)	73.28	-0.1	68.93	45.16	56.71	61.74	0.6	4.74	73.33	68.98	45.22	56.86	61.37	77.20	62.05	73.38
Norway (23)	213.61	0.0	200.94	131.65	165.32	189.77	0.1	1.93	213.63	200.96	131.72	165.64	189.66	216.03	177.53	200.23
Singapore (44)	351.41	-0.5	330.58	216.58	271.99	235.35	-0.4	1.82	353.14	332.20	217.75	273.82	236.36	401.38	294.66	346.27
South Africa (59)	302.35	0.1	284.42	186.34	234.00	257.07	-0.7	2.63	302.03	284.12	186.23	234.18	258.78	342.00	205.55	250.50
Spain (38)	133.73	-1.1	125.80	82.42	103.50	131.31	-0.6	4.33	135.18	127.16	83.35	104.81	132.12	160.62	124.87	150.62
Sweden (46)	243.26	-0.8	228.83	149.92	188.27	264.54	-0.9	1.56	245.40	230.85	151.31	190.28	267.06	247.40	196.70	221.96
Switzerland (47)	169.33	-0.7	159.28	104.36	131.05	132.15	-0.7	1.85	170.46	160.36	105.11	132.17	133.11	170.46	149.91	168.42
Thailand (46)	150.84	-1.2	141.89	92.96	116.74	148.21	-1.4	2.89	152.69	143.64	94.15	118.39	148.26	-	-	-
United Kingdom (204)	194.68	-0.2	183.14	119.99	150.68	183.14	-0.2	4.26	195.08	183.52	120.30	151.27	183.52	206.55	181.11	206.55
USA (513)	197.41	-0.7	185.71	121.67	152.79	197.41	-0.7	2.86	198.70	186.92	122.52	154.07	198.70	198.70	178.95	191.28
Americas (882)	160.82	-0.5	170.09	111.44	139.94	151.69	-0.6	2.83	181.80	171.02	112.10	140.96	152.58	-	-	-
Europe (720)	171.98	-0.2	161.78	105.99	133.10	149.92	-0.2	3.12	172.32	162.10	106.25	133.61	150.27	176.01	160.59	173.43
Nordic (128)	233.05	-0.7	219.23	143.63	180.37	214.26	-0.8	1.47	234.78	220.86	144.76	182.04	216.07	235.72	197.70	214.72
Pacific Basin (809)	152.26	0.9	143.23	93.84	117.84	98.30	0.9	1.23	150.86	141.91	93.02	116.97	97.38	176.86	145.93	160.76
Euro-Pacific (1529)	160.38	0.4	150.87	98.84	124.13	118.21	0.4	2.06	159.70	150.23	98.47	123.83	117.72	175.14	154.73	165.87
North America (616)	192.87	-0.6	181.53	118.93	149.35	192.72	-0.6	2.85	194.20	182.68	119.74	150.57	193.93	194.20	175.67	187.83
Europe Ex. UK (516)	155.69	-0.2	146.45	95.95	120.49	130.06	-0.2	2.49	155.98	146.73	96.18	120.94	130.39	158.12	144.12	152.28
Pacific Ex. Japan (325)	233.49	-0.7	219.65	143.91	180.72	207.25	-0.4	3.24	235.15	221.21	144.99	182.33	208.02	273.84	211.19	269.56
World Ex. US (1737)	160.56	0.5	151.04	98.96	124.27	121.10	0.4	2.10	159.85	150.37	98.56	123.94	120.62	176.65	155.42	167.56
World Ex. UK (2046)	169.34	0.1	159.30	104.37	131.06	139.93	0.0	2.18	169.23	159.19	104.35	131.21	139.88	178.59	165.46	171.37
World Ex. Japan (1766)	187.92	-0.4	176.77	115.81	145.44	177.59	-0.4	2.97	188.70	177.51	116.35	146.31	178.37	192.00	176.34	189.48
The World Index (2250)	171.58	0.0	161.40	105.74	132.79	143.81	0.0	2.36	171.51	161.34	105.75	132.98	143.79	180.80	165.92	174.44

Latest prices were unavailable for this edition.